

**UNIVERSITY OF SOUTH AUSTRALIA
SCHOOL OF GEOINFORMATICS, PLANNING & BUILDING**

**PROGRAM(S): Bachelor of Construction Management & Economics &
Diploma in Built Environment**

COURSE: THE BUILT ENVIRONMENT

EXAMINATION: Internal Exam, Semester 1, 2002

**DURATION: 2.5 Hours of Exam time preceded by 10 minutes of Reading
time, a total of 2 Hrs 40 Mins.
For ENTEXT students 10 minutes of Reading time plus .5
Hours of Exam time, a total of 3 Hrs 10 Mins.**

EXAMINER: Helene Schulz/Justin Cole

INSTRUCTIONS TO CANDIDATES:

- This exam is worth 50% of the total course marks
- Answer five questions attempting either Part A or Part B from each question
- All questions are of equal value
- No reference materials are allowed. Calculator is allowed.
- State any assumptions made

NOTES FROM EXAMINERS: Students may submit their answers in note form

**Question 1. Answer EITHER Part A or Part B
Part A**

The owner of a three year old courtyard home situated in a popular, recently developed estate has commissioned you as a value to provide a report on the market value of her property. Summarize the main economic principles that are used when determining market value within the real estate market.

Outline two possible valuation methods you could use to establish the market value of the home. What are the advantages and limitations of each method? Why is more than one method frequently used for determining the market value of a property?

Part B

Define three of the following economic terms. Then give an application of the terms to the construction market:

- a) externalities
- b) marginal utility
- c) elasticity of demand
- d) competitive market
- e) economic rent
- f) cost benefit analysis.

Question 2. Answer EITHER Part A or Part B

Part A

Teo 's (1997) study of the construction industry in Sydney found a high level of competition exists between contractors. How does this influence the individual firm's choice in terms of how much to produce and what price to charge? Discuss the features of the four main market forms using and apply them to the construction market.

- Perfect competition
- Monopolistic competition
- Oligopoly
- Monopoly

Part B

Describe the sectors of the construction industry, general characteristics of the products in each sector and the type of companies who construct them

Question 3. Answer EITHER Part A or Part B

Part A

Runeson (2000) identifies the importance of links between the national economy and the construction industry by declaring that building and construction forms one of the most important economic activities. Choose either the GDP or the CPI and then

- a) define what the term means
- b) explain how it is calculated
- c) outline limitations of it's calculation
- d) what impact does its shifts have for the construction industry?

Part B

The table below represents a roofing firm's production possibilities for two products:

	<u>Product A</u>	<u>Product B</u>
	100	0
90	15	
80	30	
65	50	
45	70	
25	85	
		100

Plot these production possibility alternatives as a graph. On your graph, identify where production is below maximum and where it is at the maximum level.

If there are advances made in the technology of product A only, so that more of product A can be produced with the same resources, what would be the effect on the production possibility curve?

Why is the concept of production possibility curves useful in construction economics?

Question 4. Answer Either Part A or Part B

Part A

The construction industry is regarded as being of central importance to most countries: describe its importance to Australia, both in direct investment in construction and any effect on other industries that may be affected by construction activity

Part B

Describe with examples what you understand by the term, "the construction cycle"

Question 5. Answer Either Part A or Part B

Part A

Describe some the effects of government decisions on the construction industry, from its various position(s) as an economic manager, a regulator and as a client.

Part B

Describe some other influences on the demand for construction work, including net migration, interest rates and consumer demands