UNIVERSITY COLLEGE LONDON

University of London

EXAMINATION FOR INTERNAL STUDENTS

For The Following Qualification:–

M.Sc.

ESGC1: The Economics of Construction: Economics, Sectors and Industries

COURSE CODE   :   **ENVSGC01**

DATE   :   **12–JAN–05**

TIME   :   **10.00**

TIME ALLOWED   :   **2 Hours**

TURN OVER

MSc Construction Economics and Management

ENVS GC01 The economics of construction: economies, sectors and industries

January 2005

Candidates must answer **two** questions. You may <u>not</u> answer <u>both</u> question 1A and 1B.

1] What are the main economic differences, in terms of demand, supply, structure and performance, between:
either
[A] the construction industry on the one hand and the building materials and components industries on the other?
or
[B] the contract construction industry and the speculative house building industry?

2] What are the main determinants of the total level of employment in the construction industry? In your answer, you may find it helpful to compare and contrast Keynesian and neo-classical insights into this question. ·

3] Why are both the share of profits in value added and profit margins lower in construction than in most industries?

4] Why are both 'trade creditors' and 'trade debtors' such large items in the balance sheets of most construction contractors? Explain the relationship between the ratio of gross profit to gross assets and the return on capital employed.
It is sometimes asserted that main contractors can increase their profitability simply by getting their suppliers and subcontractors to finance most of the production process. Give reasons why this might or might not be plausible, and indicate the evidence you would require in order to test this proposition.

END OF PAPER