



ICM

SEPTEMBER 2015

ECONOMICS & HOSPITALITY

Instructions to candidates:

- a) Time allowed: Three hours (plus an extra ten minutes' reading time at the start – do not write anything during this time)
 - b) Answer any FIVE questions
 - c) All questions carry equal marks. Marks for each question are shown in []
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1.
 - a) Briefly describe the main funds of long-term capital for a private limited company. [8]
 - b) With the aid of an example, explain how an increase in inflation can affect economic activity for the hospitality industry. [12]
 2. With the aid of suitable demand diagrams, show the effect of the following on the demand for hospitality services:
 - a) A reduction in the price of food
 - b) A decrease in labour costs
 - c) An increase in the number of holiday bookings
 - d) An increase in disposable incomes [5 each]
 3. Discuss how economic growth in the UK and a stronger currency has:
 - a) increased spending when eating and drinking out
 - b) increased the number of cruise holidays
 - c) increased the number of holidays spent in Europe
 - d) increased the amount of air travel [5 each]
 4. Controlling the balance of payments and unemployment are two of the major economic goals of the UK Government. Evaluate TWO other major goals of the UK Government's macroeconomic policy and how they might influence the hospitality industry. [10 each]
 5.
 - a) With the aid of examples, describe the main aspects of an oligopoly market. [10]
 - b) Evaluate the benefits of economies of scale to a large franchised chain of coffee houses. [10]
 6. With the aid of suitable examples, examine how small independent restaurants might combat the pricing behaviour of large restaurant chains and retain their market share. [20]
 7. The UK economy is now considered to be in a period of sustained growth and the Bank of England is continuing to maintain low interest rates to encourage consumer spending and investment. Also, the £Sterling is stronger against many other currencies, particularly the Euro, making it more attractive for holidays abroad for British holidaymakers. With the aid of examples, evaluate how the hospitality industry might respond to these circumstances. [20]
 8. A large chain of boutique hotels wishes to maximise its room occupancy and is considering adopting a differential pricing strategy for accommodation rates. Discuss how such a strategy could be implemented in each of its hotels. [20]