



DECEMBER 2016

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 features of TWO types of unincorporated business organisations. [5 each]
 - b) Evaluate the significance of limited liability to incorporated business organisations. [10]

 2. With the aid of examples and suitable demand and supply diagrams, show the effect of the fall in the value of £Sterling, on the following:
 - a) Demand for holidays in the UK
 - b) Bookings for sea cruises in the Mediterranean
 - c) Package holidays in Florida
 - d) Cross channel ferry services from the UK [5 each]

 3. Discuss the implications of the following for the hospitality industry subsequent to:
 - a) a decrease in government spending
 - b) a decrease in price inflation
 - c) a fall in interest rates
 - d) an increase in income tax [5 each]

 4. The uncertainty following the result of the EU Referendum in the UK has resulted in the Bank of England reducing the bank base lending rate to an all-time low of 0.25%. The £Sterling has also weakened against other currencies and the stock markets are continually volatile. Evaluate how the hospitality industry might react to these economic circumstances and promote this sector in the UK. [20]

 5.
 - a) Describe the main advantages of a monopoly market in the hospitality industry. [8]
 - b) With the aid of examples, examine how economies of scale may be achieved by a large hotel chain. [12]

 6. Using examples of your own choice, examine how fast food chains like KFC have adapted their production processes, introducing local food choice options as an alternative to the normal range of fast food products. [20]

 7.
 - a) Discuss briefly, the main benefits of horizontal integration. [8]
 - b) With the aid of a suitable example, evaluate the main advantages of franchising for a company wishing to grow on an international scale. [12]

 8. A small chain of gourmet style restaurants wishes to maximise its covers and is considering a differential pricing strategy for selected menu choices. Discuss the ways in which such a strategy could be implemented. [20]