



ICM

MARCH 2017

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) Describe the main funds of long-term capital for public limited companies. [8]
 - b) With the aid of examples, explain how an increase in inflation affects economic activity. [12]

 2. Using appropriate examples and with the aid of diagrams, illustrate how supply and demand analysis can explain:
 - a) a fall in restaurant prices
 - b) an increase in labour costs in the hospitality sector
 - c) a fall in the number of private functions
 - d) an increase in the number of hotel bookings [5 each]

 3. Evaluate how consumer demand in the UK and the uncertainty of the UK's exit from the EU has influenced:
 - a) the number of families eating out
 - b) demand for package holidays abroad
 - c) the number of holidays spent within the UK
 - d) bookings for short break cruises [5 each]

 4. Describe the likely implications of the following for the hospitality industry:
 - a) An increase in living wage levels
 - b) A decrease in migrant labour used in the hospitality industry
 - c) A fall in interest rates
 - d) A fall in unemployment figures [5 each]

 5.
 - a) Describe the disadvantages of a monopoly market. [8]
 - b) Evaluate, with examples, how economies of scale might be achieved by a large hotel chain. [12]

 6. The UK government has announced further cuts in public expenditure and it is expected that interest rates will eventually be increased to combat predicted rising inflation. Examine the implications that this will have on the hospitality industry and the strategic action that could be taken to combat their effect. [20]

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

 8. For the examples below, explain whether a policy of 'load pricing' and/or 'price discrimination' is being adopted:
 - a) Short break family packages during the winter
 - b) Reduced prices for senior citizen meals
 - c) Reduced price accommodation for children
 - d) Cheap 'early bird' 2 for 1 meal promotions [5 each]