

Microeconomics I

Assignment Guidelines:

This task requires students to apply foundational microeconomic theories, analytical tools, and quantitative models to examine resource allocation, market structures, and consumer decision-making within business and tourism contexts. Students are expected to evaluate supply and demand dynamics, calculate optimal consumption points analytically and graphically, and critically assess how changes in income, prices, and market forces shape economic agent behaviour using spreadsheets or mathematical modelling tools.

Submission Format:

- Type: Practical Analytical Report (Applied Microeconomic Analysis)
- Font/Spacing: Times New Roman, Size 12, Double Spaced
- Word Count: 1500 – 2500 words (excluding mathematical equations, graphical models, and computational appendices)
- Submission Deadline: To be announced by the respective professors

Assessment Criteria:

- Application of core microeconomic theories and formal problem-solving techniques – 20%
- Critical interpretation of microeconomic models, market mechanisms, and elasticity – 25%
- Mathematical precision, accuracy of software/graphical implementation, and evidence usage – 20%
- Strategic business insight, policy evaluation, and economic recommendations – 25%
- Structure, technical reporting clarity, presentation, and APA referencing – 10%

Mandatory Sections:

- Title Page
- Table of Contents
- Executive Summary
- Introduction
- Microeconomic Framework & Analytical Methodology
- Empirical Findings & Graphical/Mathematical Analysis
- Discussion & Business/Market Implications
- Conclusion & Recommendations
- References
- Appendices (Mathematical Derivations & Spreadsheet Calculations)

Assignment Task – Choose ONE of the following practical research projects:

Option 1: Consumer Utility Maximisation, Price Elasticity, and Demand Shift in Tourism

Analyse the quantitative interplay between consumer preferences, budget constraints, and price fluctuations in service and tourism markets. Your paper should:

- Identify and describe the utility function, the indifference curves, and the budget line that characterise an individual's consumption choices.

- Formulate and resolve a utility maximisation problem to obtain the optimal consumption bundle of a representative consumer with varying prices and income levels.
- Derive and interpret own-price, cross-price and income elasticity of demand for travel or hospitality products, with consideration of income and substitution effects.
- Assess practical examples from industry wherein price elasticity estimation was used directly to guide firm pricing decisions.
- Design an optimal pricing policy model for a tour operator based on the results of elasticity estimation and demand analysis.

Option 2: Market Equilibrium, Price Controls, and Welfare Analysis in Competitive Markets

Investigate market mechanics, resource allocation efficiency, and government interventions in perfectly competitive markets. Your paper should:

- Study the properties of market equilibrium by writing down supply and demand functions for a typical consumer good or tourism service.
- Consider the welfare effects (consumer surplus, producer surplus, and deadweight loss) of market regulations such as price floors, price ceilings (e.g., rent control or capped venue fees), or excise taxes.
- Contrast equilibrium outcomes in perfectly competitive markets with those in markets affected by short-run supply disruptions or demand shocks.
- Investigate actual policy interventions in local tourism economies and represent their redistribution and efficiency effects.
- Suggest a policy or management response that would reduce the value of the economic deadweight loss and the associated economic inefficiency.

Option 3: Cost Structure Analysis, Production Decisions, and Firm Profit Maximisation

Evaluate firm production functions, short-run vs. long-run cost structures, and profit-maximising output decisions under competitive market conditions. Your paper should:

- Explain the relationship between production inputs, marginal product, the law of diminishing marginal returns and short-run cost curves.
- Calculate the profit-maximising output level and breakeven/shutdown points of a competitive firm using numerical business data.
- Discuss the role of scale economies and long-run average cost (LRAC) dynamics in shaping cost efficiency and market entry/exit decisions in capital-intensive service sectors.
- Discuss recent cases of service or hospitality firms changing their fixed and variable cost structures to survive demand shifts.
- Present a roadmap of integrated cost management and output optimisation for a mid-sized firm operating in a competitive market.