

## **Microeconomics II**

### **Assignment Guidelines:**

This task requires students to apply foundational microeconomic principles, production theory, and price mechanisms to model firm behaviour, market structures, and resource allocation within the tourism and service sectors. Students will conduct rigorous quantitative and graphical analyses to evaluate price elasticity, short-run vs. long-run cost functions, competitive market dynamics, non-competitive market failures, and strategic decision-making in real-world business environments.

### **Submission Format:**

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

### **Assessment Criteria:**

- Application of microeconomic theories, production functions, and cost models – 20%
- Critical analysis of market structures, pricing mechanisms, and competitive equilibrium – 25%
- Data manipulation, accuracy of mathematical/graphical modelling, and empirical analysis – 20%
- Strategic business insight, efficiency evaluation, and policy recommendations – 25%
- Structure, technical reporting clarity, professional presentation, and APA referencing – 10%

### **Mandatory Sections:**

- Title Page
- Table of Contents
- Executive Summary
- Introduction
- Economic Model & Methodology
- Findings & Quantitative/Graphical Analysis
- Discussion & Managerial Implications
- Conclusion & Business Recommendations
- References
- Appendices (Mathematical Derivations & Analytical Calculations)

### **Assignment Task – Choose ONE of the following practical analytical projects:**

#### **Option 1: Production Theory, Cost Minimisation, and Economies of Scale in Hospitality**

Analyse how service enterprise's structure short-run and long-run production functions to optimise resource allocation and achieve cost efficiency. Your paper should:

- Derive and explain the mathematical and graphical relationships among Marginal Product, Total Cost, Average Fixed Cost, Marginal Cost, and Long-Run Average Cost (LRAC).
- Discuss the implications of diminishing marginal returns and economies vs. diseconomies of scale on operational decisions of hotel chains or airline fleets.
- Consider real-life business organisations (e.g., large global hotel franchises or budget airlines) and illustrate using cost curves that if the firm's output is too low or too high, it is still possible to enter new markets in an optimal manner. Anatomy of a decision:
- Developing a data-driven cost-minimisation model to guide managerial capacity decisions in the face of varying service demand.

### **Option 2: Market Structure Analysis and Dynamic Pricing Under Monopoly vs. Competition.**

Investigate how market power, barrier-to-entry conditions, and market structures influence firm pricing strategies, economic profit, and social welfare. Your paper should:

- Compare the determination of price and output under Perfect Competition, Monopoly, Monopolistic Competition and Oligopoly.
- Assess deadweight loss, consumer surplus and producer surplus to determine efficiency implications of price discrimination policies (e.g. yield management in tourism).
- Critically comment on real tourism market examples (e.g. that of national railway monopolies and competitive booking platforms) and their market power in pricing activity.
- Suggest the best pricing and market positioning policy for a company competing in a monopolistically competitive tourism industry.

### **Option 3: Strategic Game Theory, Oligopolistic Interdependence, and Market Failures**

Evaluate strategic interaction among oligopolistic firms and the economic implications of market failures in environmental and tourism spaces. Your paper should:

- Apply relevant game theory models (e.g., Payoff Matrices, Nash Equilibrium, Prisoner's Dilemma) to the analysis of price wars, collusion, or non-price competition among the largest tourism providers.
- Consider the causes and effects of market failure (externalities, public goods, asymmetric information) in the management of a tourist destination.
- Analyse case studies of industry rivalries (e.g., major airline alliances or OTA duopolies) and public policy actions (taxes, subsidies, quotas).
- Offer a seamless strategic template for company decision-making that takes into account of competitor reactions and regulatory externality effects.