

Uva Wellassa University

Faculty of Management

Degree of Bachelor of Business Management in Hospitality, Tourism and Events

Management

SECOND YEAR SECOND SEMESTER EXAMINATION – AUGUST-SEPTEMBER 2011

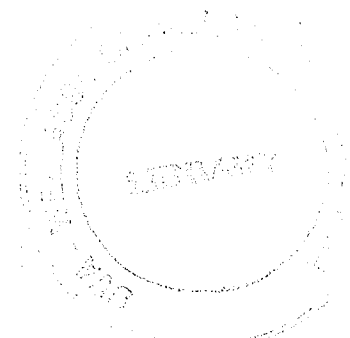
HTE 281-3 Tourism Economics



Instructions to candidates:

No. of pages : Seven (07)
No. of questions : Seven (07) Structured
Four (04) Essay
Time : Two (02) hours and thirty (30) Minutes
Marks allocated : 80 Marks

Index No:



Part C - Essay Question

Marks allocation: 45 Marks

Answer only three (3) questions including question no. 01



01. A result of an empirical analysis of tourism arrivals to Sri Lanka can be given as follows. The analysis based on the Ordinary Least Squares (OLS).

Source	SS	df	MS			
Model	38918.1562	3	12972.7187	Number of obs =	10	
Residual	64.7438228	6	10.7906371	F(3, 6) =	1202.22	
				Prob > F =	0.0000	
				R-squared =	0.9983	
				Adj R-squared =	0.9975	
				Root MSE =	3.2849	
Total	38982.9	9	4331.43333			

GRTA	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
GRWGDP	63.47766	4.778607	13.28	0.000	51.78483	75.17049
AHP	-12.96154	.9856646	-13.15	0.000	-15.37337	-10.5497
D1	.9395882	.0591056	15.90	0.000	.794962	1.084214
_cons	141.7667	6.375322	22.24	0.000	126.1668	157.3665

Dependent Variable:

GRTA – Growth rate of tourism arrivals

Independent Variables:

- GRWGDP – Growth rate of world GDP
- AHP – Average hotel prices in Sri Lanka
- D1 – Dummy variable to represent the war period

$$D1 = \begin{cases} = 1 & \text{Non war period} \\ = 0 & \text{War period} \end{cases}$$

- I. Construct regression equation for tourism arrivals in Sri Lanka using the above analysis.
- II. Explain the impacts of growth rate of world GDP (GRWGDP) and average hotels prices (AHP) on tourism arrivals.
- III. Do you think that the war had adversely affected to the tourism arrivals in Sri Lanka? Explain your answer.

- IV. Describe the value of Coefficient of Determination (R^2).
 V. Check the overall significance of the model and individual significant of coefficients at 1 % significance level.

(3x5=15 Marks)

02.

- I. "Tourism is a multidimensional factor in terms of economic growth". Justify this statement in the context of Sri Lanka.

(8 Marks)

- II. "The effectiveness of the expansionary fiscal policy depends on the crowding out effect". Explain this statement by using necessary illustrations.

(7 Marks)

(8 + 7 = 15 Marks)

03. Information about a hypothetical economy is given below.

$$C = 200 + 0.75Y_d$$

$$T = 0.25Y$$

$$I = 100 - 500r$$

$$M = 35 + 0.1Y$$

$$G = 90$$

$$X = 85$$

$$MD = 0.2Y - 220r$$

$$MS = 1000$$

$$P = 10$$

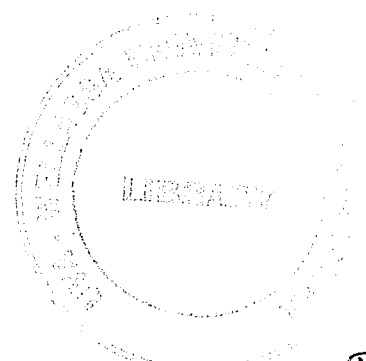
- I. Find the level of income and interest rate when both goods and money market at the equilibrium level.
 II. Calculate the value of Consumption multiplier, Export multiplier and Import multiplier.
 III. Calculate the value of Fiscal policy multiplier and Monetary policy multiplier.
 IV. If government is going to decrease the government expenditure (G) down, equal to 70, find the new equilibrium.
 V. Find the Crowding in effect of expanding government expenditure and show it graphically.

(3x5=15 Marks)

04. Briefly explain the followings

- I. Macroeconomic equilibrium
- II. Kinked demand curve
- III. Income consumption curve

(5x5=15 Marks)



14