



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 2014
HTE 281-3 Tourism Economics

Instructions to candidates:

No. of pages : Two (02)
No. of questions : Eight (08)
Time : Two Hours
Marks allocated : 100 Marks

Answer six (06) questions including question number one (01).

01. i Distinguish following two broad determinants of demand for tourism.
- a. price factors
 - b. non-price factors
- (10 Marks)
- ii Graphically illustrate the impact made by the following over the tourism demand curve
- a. change in price of a tourism product
 - b. change of a non price factor in the source country
- (5 Marks)
- iii Using examples, explain the income and substitution effects that underline tourism consumer behavior.
- (10 Marks)
02. i Explain the concept of income elasticity of demand for necessary goods, inferior goods, luxury goods and normal goods. Support your answer with appropriate graphical illustrations.
- (6 Marks)
- ii Explain the determinants of international tourist arrivals to Sri Lanka.
- (9 Marks)
03. i Brief out the reasons as to why forecasting is of special importance in tourism. (4 Marks)
- ii Since any model design to forecast human behavior will suffer from forecasting errors, tourism forecasting is less useful for destination managers. Discuss this statement.
- (5 Marks)
- iii In a changing global tourism environment it is important for both government policy development and business planning to have reliable short-term and long-term forecasts of tourism activity. Do you agree? Justify your answer.
- (6 Marks)

04. i Discuss the causes of barriers of entry in to the tourism industry. (5 Marks)
- ii Standard microeconomic theory is of limited applicability in tourism supply. Argue both for and against this statement. (5 Marks)
- iii Discuss the theory and practice of integration in tour operator market. (5 Marks)
05. i How can a hotel chain practice price discrimination to increase its total revenue? Give practical examples. (5 Marks)
- ii It is better for tour operators to follow collusive strategies than to compete on price. Discuss. (5 Marks)
- iii The extent to which the production and employment in the destination is affected by visitor expenditure depends importantly on the strengths of the business linkages between tourism and other sectors. Explain. (5 Marks)
06. i Briefly outline the concept of TSA. (4 Marks)
- ii What items of information do the TSA provide for destination managers (4 Marks)
- iii Discuss the applications of economic impact analysis in tourist industry (7 Marks)
07. i Multiplier analysis only tells us part of the story in tourism's economic contribution. Explain above statement. (5 Marks)
- ii Use tourism examples to explain the difference between financial appraisal and economic appraisal. (5 Marks)
- iii. Graphically explain the rationale for public support of special events. (5 Marks)
08. i Briefly distinguish the difference between the following types of tourism investment
- a. Private tourism investment and public tourism investment (2 Marks)
- b. Domestic tourism investment and foreign tourism investment (2 Marks)
- ii Explain the meaning of tourism infrastructure. Why it is important within an economy? (6 Marks)
- iii. Discuss the benefits of Foreign Direct Investment in tourism projects (5 Marks)

