

Running head: SHORT TITLE OF PAPER (<= 50 CHARACTERS)

Title

Author

Author Affiliation

Title of Paper

Begin your paper with the introduction. The active voice, rather than passive voice, should be used in your writing.

This template is formatted according to APA Style guidelines, with one inch top, bottom, left, and right margins; Times New Roman font in 12 point; double-spaced; aligned flush left; and paragraphs indented 5-7 spaces. The page number appears one inch from the right edge on the first line of each page, excluding the Figures page.

In this introduction, you will state describe the **purpose of your paper** (the first rubric element) – in other words, what your paper sets out to do. In this case, you are acting as a consultant, providing a microeconomic analysis of a particular company and you will analyze different microeconomic criteria related to your company and the market in which it operates. This analysis will then inform your recommendations for how the company can be successful in the future. Be sure to provide some specifics about what you will be analyzing so the reader knows what to expect – use the outline provided in the Final Project Document as your guide. Lastly, make sure that the company you choose is well suited for this kind of analysis. Please see the suggested list provided in your course for ideas and email your instructor your choice. Any company not on the list will need prior approval.

History of the Company

Use headings and subheadings to organize the sections of your paper. The first heading level is formatted with initial caps and is centered on the page. Do not start a new page for each heading. This first heading aligns with the second rubric element which gives an **overview of the company's** history. Be sure to personalize this heading to reflect your company. In this section, include you will summarize the history of the firm and also provide an overview of what the firm

does and what goods/services it sells. Be sure to include sufficient detail here. Your company's website is the best place to find this information. This section should be about one page long.

Supply and Demand Conditions

There are two rubric elements to be included in this section and combined they should be about 2 pages in length, perhaps longer if you present more than one graph/table. The first element asks you to **evaluate the trends in demand over time** and explain their impact on the industry and on the firm. To do this, you can consider market demand. Market demand is the demand by all the consumers of a given good or service. Find out who your customers are and provide detail on them. Use annual sales data to find out how much of the product is purchased. Here is a video explaining each of the following determinants of market demand that you could examine for your company's market:

- *Income*
- *Price of related goods*
- *Tastes*
- *Population and Demographics*
- *Expected Future Prices*

The second rubric element to be included in this section is your **analysis of information and data related to the demand and supply for your firm's product(s) to support your recommendation for the firm's actions**. You have already presented the overall trends in demand in the last element. In this rubric element, you will first collect data specific to your company on demand. To do this, look at the following:

- Sales and Revenue. Building on the idea of market demand, consider how the annual sales data changed over time for your company in particular.
- **Include a graph/table/chart of sales for your company.** This may be in dollars, product quantity or number of customers – whichever is most relevant for your firm. You could use more than one, if you think that would give a more detailed picture of demand for your company’s product or service.
- Include 5 or more years of data will be enough to show a trend that is supported by your market demand discussion.
- Data can be found from the company’s annual reports and revenue can more specifically be found in the company’s income statement.

Once you have analyzed the demand side, you can now look at the supply side of your company. For this, you will want to watch this video on the determinants of supply, just as we examined the determinants of demand in the last rubric element. Here, some of the pieces you could explore and provide data on are:

- *Input costs*
- *Technological Improvement*
- *Prices of substitutes*
- *Number of firms in the market*
- *Expected future prices*

Price Elasticity of Demand

This section has three elements and should be 1-2 pages long. The first element asks that you **analyze information and data to justify how the price elasticity of demand for your**

product is determined. Here, you will have to use pricing of your product, the trend in the price over time and comparison to similar products to justify whether you find the price elasticity of demand to be either elastic or inelastic. You may not be able to calculate a specific price elasticity of demand (video), depending on your company and the available information.

However, looking at pricing data should help you justify whether demand is inelastic or elastic.

You will then take your justification one step further in the second rubric element and **explain the factors that affect consumer responsiveness to price changes.** You can learn more about these factors from this video on the determinants of price elasticity of demand. Explore the following determinants as they relate your company's product(s):

- *Availability of substitutes*
- *Passage of time*
- *Luxury or necessity*
- *Definition of the market*
- *Share of budget*

The third and last element in this section ask you to **assess how the price elasticity of demand impacts the firm's pricing decisions.** As you read in Chapter 6 in our textbook, there is a relationship between elasticity of demand and revenue. You can watch this video to review the relationship between price elasticity of demand and total revenue and explain how this relationship influences the company's pricing decisions. For instance, if a company sells a product that has very elastic demand, meaning customers are very responsive to a price change, then increasing their price means that their total revenue will decrease. This could explain why, in such a situation, the company may decide to not raise prices, even if their costs are going up.

This is just one example so be sure to make your analysis relevant to your company's specific situation.

Costs of Production

This section of your paper has two rubric elements and will be between 1-2 pages long, depending on your use of graphs or tables. The first element in this section asks you to **analyze the various costs your company faces, their trends over time and how they have impacted the company's profitability**. To gather data on this, you will want to go to your company's annual report and look at their income statement. Here is a helpful video to help you understand [how to read an income statement](#). You will notice that there are two sections that deal with costs – the first is Cost of Goods Sold which is essentially the cost of the inputs, such as raw material and direct labor. For a clothing manufacturer, that would include the cost of the cloth; for an auto manufacturer, it would include the cost of the steel. Then, there is the section called expenses and these are the costs beyond buying the raw materials. These include things like rent, insurance and overhead and other indirect expenses. For this section, you should include:

- Past 5 years (or more) of COGS, in a table or graph
- Past 5 years (or more) of Operating Expenses, in a table or graph (can be combined with table/graph of COGS)
- Explanation of any observed trends in either (ie: why is COGS increasing?) such as:
 - Pricing history of major inputs, such as cotton for a clothing company, as applicable
 - Change in how goods/services are produced – for instance, a change in major input such as moving from steel to aluminum

- Your analysis of how changes in either or both of these affected profitability – remember that accounting profit, which is what we are looking at here, is simply

Revenue – Costs

The next rubric element in this section asks you to **apply the concepts of variable and fixed costs to company for informing their output decisions**. Chapter 11 examines the differences between variable and fixed costs, and you can review in this video the details about fixed and variable costs and how they apply to business output decisions. In this video, our textbook presents an example that shows how costs are distinguished between fixed and variable. This example will help shed light on how you can similar distinctions for your company. Also, you have already done some of this work in your previous rubric element. There you presented data on COGS and Operating Expenses. Generally, variable costs will show up in COGS and fixed costs will show up in Operating Expenses, so this gives you a head start. You can then use the data and your knowledge of fixed, variable and total costs from Chapter 11 to explain how your company will base their production level on the costs they face.

Overall Market

In this section, you will be examining three different aspects of the overall market in which your company operates. By overall market, we mean the market selling the product or service. For instance, there is a market for mobile phones or a market for jeans. Whatever product your company sells determines what market it is in. Note that the term market here does not refer to the stock market. In total, this section should be 1-2 pages long.

The first rubric element of this section asks you to **discuss the market share for your company and its top competitors by providing details on current percentages for each**

company and describing the trend over time. The best way to show this would be to use some type of graph or table to show for the past few years (5 would show any trends, if you can find the data going that far back). To do this, you will need to find data on the market as a whole – for instance, if the market is computers, you will need to find the total value of computer sales in the US. From there, you can determine that share (the percentage) your company and the other top companies get from that total. For an example of how to do this, check out this video on [calculating market shares](#). You may also find that industry magazines or other market researchers have compiled this information, so do look for those resources as well, to make your data collection easier. Once you have the data, you will want to see how your company has been doing. Having 80% of the market might sound great but if you see that the company had 90% of the market two years ago, then we have a different story. This is why showing the trend is so important.

The second rubric element in this section asks you to **analyze the barriers to entry** for your firm's industry. This concept is explored in detail in Chapter 14 and you can review in this video the types of [barriers to entry](#) and their impact on the market. For the market your company operates in, you will detail the barriers to entry – some markets have more than other and some barriers are weaker than others. Your specific situation will allow you to explain how the existing barriers will either help insulate your company from competition or allow for competitors to break into the market.

The last rubric element in this section asks you to **describe the market structure for your firm and analyze how this affects their ability to influence the overall market.** Recall from Chapter 12 that there are 4 different market structures: Perfect Competition, Monopolistic Competition, Oligopoly and Monopoly. You need to categorize your company's market into one

of these four. Use the criteria listed in Table 12.1 on page 392 of the textbook and any supporting evidence you have presented so far. You can also use the four-firm concentration ratio and/or the Herfindahl-Hirschman Index (HHI) to support your conclusion. Here is a video showing you how to calculate both the four-firm concentration and the HHI*, and you can also review this on pages 453 and 497, respectively. Once you have determined the market structure, you can then analyze your company's ability to influence the whole market based on this and their position within the market.

*this example uses the top 50 firms – you will not necessarily have to use that many.

Recommendation

This last section of your paper contains three rubric elements, where you will provide your recommendations for future actions based on the three different criteria. This section will be about one page long. In the first element, you will **develop a recommendation for how the firm can manage its future production by synthesizing the data presented**. This essentially is asking you to look at the data and analysis done in the supply and costs sections and make a suggestion how the company should produce in the future. The determinants of supply and specific costs trends that the company faces will determine what you suggest for their production moving forward, in terms of quantity and types of products.

The second element asks you to **suggest how the firm's position within the market and among its competitors will allow it to take the recommended action**. This follows closely from your last element in the Overall Market section and you should use the evidence presented there to inform your recommendation here. Specifically, consider how the firm's market power

would allow them to make the suggested changes to production you mention above. You should also include here advice for how your firm can become stronger within their market.

The last rubric element asks you to **describe how the firm can sustain its success going forward by evaluating trends in demand and price elasticity**. Here you will revisit your analysis in the demand and price elasticity section to further provide suggestions for how your company can stay profitable. From pricing decisions to responding to changes in demand, your suggestions here should reflect your findings in those earlier sections. Be sure to include specific ideas for how the firm can remain successful, like new products to offer based on changing tastes, or a different pricing strategy to remain competitive. Your ideas should of course align with the rest of your analysis and the microeconomic concepts.

Citations

This is not a particular section of your paper, but rather guidance on how to use APA format in-text citations throughout your paper. Source material must be documented in the body of the paper by citing the authors and dates of the sources. The full source citation will appear in the list of references that follows the body of the paper (see last page). When the names of the authors of a source are part of the formal structure of the sentence, the year of the publication appears in parenthesis following the identification of the authors, for example, Smith (2001). When the authors of a source are not part of the formal structure of the sentence, both the authors and years of publication appear in parentheses, separated by semicolons, for example (Smith and Jones, 2001; Anderson, Charles, & Johnson, 2003). When a source that has three, four, or five authors is cited, all authors are included the first time the source is cited. When that source is

cited again, the first author's surname and "et al." are used. See the example in the following paragraph.

Use of this standard APA style "will result in a favorable impression on your instructor" (Smith, 2001). This was affirmed again in 2003 by Professor Anderson (Anderson, Charles & Johnson, 2003).

When a source that has two authors is cited, both authors are cited every time. If there are six or more authors to be cited, use the first author's surname and "et al." the first and each subsequent time it is cited. When a direct quotation is used, always include the author, year, and page number as part of the citation. A quotation of fewer than 40 words should be enclosed in double quotation marks and should be incorporated into the formal structure of the sentence. A longer quote of 40 or more words should appear (without quotes) in block format with each line indented five spaces from the left margin.

References

Entries are organized alphabetically by surnames of first authors and are formatted with a hanging indent. Most reference entries have three components:

1. **Authors:** Authors are listed in the same order as specified in the source, using surnames and initials. Commas separate all authors. When there are seven or more authors, list the first six and then use “et al.” for remaining authors. If no author is identified, the title of the document begins the reference.
2. **Year of Publication:** In parenthesis following authors, with a period following the closing parenthesis. If no publication date is identified, use “n.d.” in parenthesis following the authors.
3. **Source Reference:** Includes title, journal, volume, pages (for journal article) or title, city of publication, publisher (for book).

Here is a link to a video to walk you through creating a [reference list in APA format](#).