

Unit 4 scenario



**ASSIGN
BUSTER**

Parking Issues in South Port In the project, a report is prepared to submit to John Becker, Senior Economist, about the parking situation in South Port.

South Port is, at present, facing a major issue related with its Parking facilities. So, it is necessary to provide an appropriate solution to overcome this problem. For resolving this parking issue, City Council provided a lot of advice the implementation of which will take a long period of time.

In order to solve the parking issue, one of the banks in the area recommended a solution. For car parking, the bank proposed to charge a flat or fixed fee of \$10 per car to park at the lot, which covers a space of 100. The duration of the lot starts from 6pm to midnight, say, 6 hours per day. Moreover, this parking lot will be guided by a staff member at a cost of \$10 per hour. It means that the staff needs to be paid an amount of \$60 per day, and \$1800 per month. Other than this, an additional cost will be charged for the supplementary usage of parking lot.

Therefore, in order to evaluate and adopt the most appropriate decision in respect of the parking and maintenance cost, it is necessary to analyze the marginal revenue and marginal costing technique. Under marginal costing, only variable costs are charged to cost units. “ Comparable to any profit-maximizing firm, a perfectly competitive firm produces the quantity of output in the short run that generates the maximum difference between total revenue with total cost, which is economic profit. This profit maximizing level of production is also achieved by the equality between marginal revenue and marginal cost. At this production level, the firm cannot increase profit by changing the level of production. The analysis of marginal revenue and marginal cost can be achieved through a table of numbers or with marginal revenue and marginal cost curves” (Marginal Analysis, 2007).

The marginal costing technique necessitates the analysis of costs in to fixed and variable.

The solution is proposed by the bank was to charge a higher cost for parking lot. This is because, through higher charging for parking, it is possible to reduce the problem related with the parking to a certain degree. The main reason for the higher charge set by the bank is that to make it possible the availability of suitable parking facilities. Whenever the charge for parking increases, then the time spent for parking will automatically be reduced. Due to this, it is possible to make the parking lot conveniently at any time effectively. In addition to this, in order to overcome this specific problem, it is necessary to consider the concept of perfect competition and monopoly impact.

Moreover, for a day the charge is being obtained through parking costs is around \$6000; i. e. \$10 per car with a space of 100. Assume that it is for a time gap of one hour; so \$1000 per hour. Therefore, a day it costs around \$6000, i. e. \$1000 per hour* 6hours per day. Therefore, the charge set by the banks turned out to be a major recommendation to improve the parking issues in South Port to certain extend.

Thus, it is very clear from the example that the effective application of marginal cost is essential, and the increase or decrease in the total cost resulting from producing or selling additional or fewer units of a product or from a change in the method of production or distribution. In order to solve the parking problem in South Port, a number of remedies are available, but it takes a long time to get it realized. Therefore, to reach a solution or remedy within a reasonable time period, the terms are set by banks and they were found successful. Through this solution, the parking problems in South Port

can be reduced to a great extent.

Reference

Marginal Analysis. (2007). Perfect Competition. Amos Web. Retrieved December 15, 2007, from http://www.amosweb.com/cgi-bin/awb_nav.pl?s=wpd&c=dsp&k=perfect+competition,+marginal+analysis