



TECHNICAL UNIVERSITY OF MOMBASA
School of Humanities & Social Sciences

DEPARTMENT OF HOSPITALITY & TOURISM

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF HOSPITALITY & INSTITUTIONAL MANAGEMENT

BHR 4340: HOSPITALITY ECONOMICS

SPECIAL/SUPPLEMENTARY EXAMINATIONS

SERIES: JUNE/JULY 2015

TIME: 2 HOURS

INSTRUCTIONS:

- Answer question **ONE (Compulsory)** in Section **A** and any other **TWO** questions in Section **B**.

This paper consists of Three printed pages

SECTION A (Compulsory)

QUESTION 1

- a) Explain the following concepts;
- i) Scarcity
 - ii) Opportunity cost
 - iii) Tourism income multiplier
 - iv) Price elasticity of demand
 - v) Marginal rate of substitution. **(10 marks)**
- b) Identify and discuss **FIVE** economic impacts of tourism. **(10 marks)**
- c) Write short notes on the characteristics of a perfectly competitive market structure. Does this type of market exist in the hospitality industry? **(10 marks)**

SECTION B (Answer any **TWO** questions)

QUESTION 2

- a) Compare and contrast the nature of a controlled and free market economy. **(8 marks)**
- b) Outline **FIVE** reasons that can lead to occurrence of a monopoly in a destination's hospitality industry. **(10 marks)**
- c) Explain the concept "hospitality industry". **(2 marks)**

QUESTION 3

- a) State the consumer's problem faced in making consumption choices. **(2 marks)**
- b) The Sales Manager for SabaSaba guest house in Kilifi town obtained the following sales results from from in the month's of September and October:

Deluxe Rooms	September	October
% Occupancy	45%	30%
Room Rate (Kshs.)	1,200/-	1,400
Standard Rooms		
% occupancy	41%	39%
Room Rate (Ksh.)	850/-	1,050

- i) Write the general form of the equation for price elasticity of demand. **(2.5 marks)**
- ii) Compute the changes in % room occupancy for the two room categories in October as compared to September. **(2.5 marks)**
- iii) Calculate price elasticity of demand for the two room types. **(2.5 marks)**
- iv) Comment on the relative responsiveness of the two prices changes for the September – October months. **(2.5 marks)**
- v) Discuss the factors likely to determine price elasticity of demand for hospitality industry products. **(8 marks)**

QUESTION 4

- a) State and explain the key assumption of the cardinal utility theory of consumer behaviour. **(10 marks)**
- b) Explain **FIVE** exogenous factors likely to influence demand for Kenya's tourism and hospitality products in the international market. **(10 marks)**

QUESTION 5

The data below shows a dinner's preference for fine dining and total utility on monthly demand for dining at Castel Royal Hotel.

Dinner's per month	1	2	3	4	5	6	7	8	9	10
Total Utility	3	4.5	5.5	6.3	6.9	7.4	7.8	8.1	8.35	8.55

- a) Write the general form of the consumer's utility function and differentiate between the consumer's total and marginal utility. **(5 marks)**
- b) Plot the dinner's utility curve. **(5 marks)**
- c) On the same graph, compute and plot a curve showing the dinner's marginal utility. **(5 marks)**
- d) Comment on the relationship between demand and marginal utility curves. **(5 marks)**