



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF HUMANITIES AND SOCIAL SCIENCES

DEPARTMENT OF HOSPITALITY & TOURISM MANAGEMENT

UNIVERSITY EXAMINATION FOR THE DEGREE OF:

BACHELOR OF SCIENCE IN TOURISM MANAGEMENT (BSTM S14)

BHR 4340: TOURISM ECONOMICS

END OF SEMESTER EXAMINATION

SERIES: DECEMBER 2016

TIME: 2 HOURS

DATE: Pick Date DECEMBER 2016

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of **FIVE** questions. Attempt Choose instruction.

Do not write on the question paper.

SECTION A (Answer all the questions)

30 POINTS

QUESTION ONE

- a) Explain the following concepts (10 marks)
 - i. Tourism industry
 - ii. Micro Economics
 - iii. Derived demand
 - iv. Price elasticity of demand
 - v. Industry Supply
- b) Using a production function, explain the technology used by a representative tourism firm in producing commodities for its consumers.(10 Marks)
- c) Outline the basic assumption underpinning the cardinal approach to utility analysis (10 marks)

SECTION B (Answer only TWO questions)

QUESTION TWO

- a) Explain the rationale for a destination focusing on the tourism and hospitality industry as its economic mainstay (20 Marks)

QUESTION THREE

- a) “Tourism demand is a multivariate relationship”. Using a demand function explain the key factors that are postulated to determine demand for tourism goods and services (10 Marks)
- b) Explain the features of an ideal tourism forecasting method that you would recommend for use in a data scarce situation typical of tourism in developing countries (10 marks)

QUESTION FOUR

- a) Outline the different types of price elasticity of demand that are expected of a tourism product as a composite good (10 Marks)
- b) Explain factors that determine price elasticity of demand for the composite tourism good (10 marks)

QUESTION FIVE

- a) Explain the following concepts underpinning the law of variable proportions (8 marks)
 - i. Total product
 - ii. Average product
 - iii. Marginal product
 - iv. Marginal rate of technical substitution
- b) Explain the meaning of the concept internal Economies of Scale using five (5) suitable examples (12 marks)