



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF HUMANITIES AND SOCIAL SCIENCES
DEPARTMENT OF HOSPITALITY & TOURISM MANAGEMENT
UNIVERSITY EXAMINATION FOR THE DEGREE OF:
BACHELOR OF TECHNOLOGY IN HOTEL AND HOSPITALITY
MANAGEMENT (BTHM S14)

BFI 4342: INTRODUCTION TO HOSPITALITY 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. Controlled economy
 - ii. Macro Economics
 - iii. Demand schedule
 - iv. Income elasticity of demand
 - v. Marginal rate of substitution
- b) Using the indifference curve analysis, graphically demonstrate the effect of changes in consumer income on his/her equilibrium position (10 Marks)
- c) Describe cases where the law of demand does not hold good. (10 Marks)

SECTION B (Answer only TWO questions)

QUESTION TWO

- a) Explain the pitfalls of a destination dependence on the tourism and hospitality industry as its economic mainstay (20 Marks)

QUESTION THREE

- a) What is meant by imperfect competition? Explain four market structures under imperfect competition (10 Marks)
- b) Outline FIVE 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) Using five (5) suitable examples, explain the implication of external economies of scale in production decision of a tourism firm? (10 marks)
- b) Outline FIVE (5) Economic constraints to tourism growth in a developing country such as Kenya (10 Marks)

QUESTION FIVE

- c) Explain the following concepts cost structure of a firm operating in the tourism and hospitality industry (8 Marks)
- i. Total cost
 - ii. Total average cost
 - iii. Variable cost
 - iv. Marginal cost
- b) Graphically demonstrate the equilibrium condition of a firms production decision (12 marks)