TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business & Social Studies

DEPARTMENT OF HOSPITALITY & TOURISM

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF SCIENCE IN TOURISM MANAGEMENT

BHR 4340: TOURISM ECONOMICS

END OF SEMESTER EXAMINATIONS
SERIES: APRIL 2014
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: (10 marks)
   i)   Scarcity
   ii) Gross Domestic Product (GDP)
   iii) Cross price elasticity of demand
   iv) Marginal Rate of Substitution (MRS)
   v)   The law of demand

b) Write brief notes on the factors that would affect price elasticity of demand for Kenya's tourist
    products.   **(10 marks)**

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c) Discuss any **FIVE** reasons that can lead to occurance of a monopoly.   **(10 marks)**

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

QUESTION 2

a)   The data below shows a tourist's preference for consumption of a wildlife tourism product and the total utility he obtain from monthly demand for park entry at Lake Nakuru National Park.

Park entry Ticket 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	8.3	8.5

   i) Plot the tourists total utility curve.   **(5 marks)**
   ii) Compute marginal utility for the tourists demand.   **(2 marks)**
   iii) Plot a graph showing the consumer's marginal utility.   **(5 marks)**
   iv) Comment on the relationship between the tourist's marginal utility curve and demand curve.
                                                                                        (5 marks)
   v) Write the general form of the consumer's utility function differentiating between total and marginal utility.   **(3 marks)**

b)   You have been appointed the county Executive Secretary in charge of tourism in Mombasa. The county government is proposing massive investment in infrastructure to improve tourism in the county. In view of competing needs for the limited, public funds available, justify the county's plan based on the benefits of such a policy.   **(10 marks)**

QUESTION 3

a) Identify any **THREE** sources of data for tourism demand.   **(6 marks)**

b) State a generic form of a tourism demand equation.   **(2 marks)**

c) Discuss any **SIX** factors that could account for international tourism demand for beach tourism at the coastal tourism destination area.   **(12 marks)**

QUESTION 4

Given a consumer's consumption of two normal goods X_1 and X_2 the goods are priced at P_1 and P_2 respectively. The consumer has income Y.

a) Graphically show the consumer's budget line.   **(5 marks)**

b) Plot a family of the consumer's indifference cures on the same plot. Indicating the equilibrium consumption of goods X_1 and X_2.   **(5 marks)**

c) How will a change in the consumer's income ΔY affect his equilibrium position.   **(5 marks)**
d) Show the consumer's income consumption curve for the normal good.   **(5 marks)**

QUESTION 5

a) With the use of a suitable schematic illustration, discuss the circular flow of income in an open economy. **(10 marks)**

b) Describe the role of tourism in employment generation in developing countries **(10 marks)**