MACHAKOS UNIVERSITY

University Examinations for 2022/2023 Academic Year

SCHOOL OF BUSINESS, ECONOMICS AND HOSPITALITY AND TOURISM

MANAGEMENT

DEPARTMENT OF ECONOMICS

FIRST YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF SCSIENCE (HOSPITALITY AND TOURISM MANAGEMENT)

SHT105: INTRODUCTION TO ECONOMICS IN TOURISM AND HOSPITALITY

DATE: TIME:.

INSTRUCTIONS:

    (i)   **Answer question one (Compulsory) and any other two questions**

    (ii)   **Do not write on the question paper**

    (iii)   **Show your workings clearly**

QUESTION ONE (COMPULSORY) (30 MARKS)

a)   A Kenyan tourist visiting Maasai Mara National Park has decided to sacrifice sporting activity for entertainment activity. Using these two activities anticipated to be undertaken by the tourist, with the help of a diagram demonstrate the concept of opportunity cost

(8 marks)

b)   Explain four main characteristics of tourism   (8 marks)

c)   The tourist income has increased tremendously in the recent years. Demonstrate using a diagram the effect of increase in income on the demand and supply equilibrium for commodity X mostly consumed by tourists at Tsavo National Park   (6 marks)

d)   When the price of commodity K commonly consumed by tourists at Nyari beach increased from sh.4 to sh.9, the quantity demanded decreased from 10 units to 3 units. Calculate price elasticity of demand and state whether it is elastic, inelastic or unitary.

(4 marks)

e)   Explain four economic impacts of tourism in Kenya   (4 marks)

QUESTION TWO   (20 MARKS)

a)   Diagrammatically explain the shift of tourism supply curve when prices of inputs increase   (8 marks)

b)   Explain three main types of tourism   (6 marks)

c)   Explain three factors that influence demand from a tourism context   (6 marks)

QUESTION THREE (20 MARKS)

a)   Assess four roles of tourism as an economic development tool   (8 marks)

b)   Discuss the supply elasticity concept and three factors influencing the elasticity of supply

                                                                                                              (8 marks)

c)   Explain three areas of strength that has led to growth of tourism in Kenya   (6 marks)

QUESTION FOUR (20 MARKS)

a)   The demand equation for commodity X that is commonly consumed by tourists is given as $Qd = 40 – 0.3P$. Its supply is given as, $Qs = 20 + 0.2P$. Calculate the equilibrium price and quantity of commodity X.

b)   Discuss four factors that would influence tourism investment in a destination, clearly explaining policy implications for tourism developers   (8 marks)

c)   Explain three areas of weakness that has hindered growth of tourism in Kenya (6 marks)

QUESTION FIVE (20 MARKS)

a)   Explain four Lifestyle determinants of tourism demand   (8 marks)

b)   Demonstrate and explain the circular flow diagram to show the interactions among the various actors and sectors of the economy   (6 marks)

c)   Explain three factors that have played a significant role in Kenya's tourism performance since independence to date   (6 marks)