MACHAKOS UNIVERSITY

University Examinations for 2017/2018

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

THIRD YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF HOSPITALITY AND TOURISM MANAGEMENT

SHT 304: INTRODUCTION TO ECONOMICS IN TOURISM AND HOSPITALITY

DATE: 11/12/2017 **TIME: 8:30 – 10:30 AM**

INSTRUCTIONS

Answer question one and any other two questions. Question one carries 30 marks and the other questions carry 20 marks each.

QUESTION ONE (COMPULSORY) (30 MARKS)

a) Distinguish between the following terms as used in economics (10 marks)

i. Scarcity and Opportunity Cost
ii. Microeconomics and Macroeconomics
iii. Law of demand and law of supply
iv. Price ceiling and Price floor
v. Substitutes and complements

b) In your view, has tourism made any contributions to the Kenyan economy? Explain your answer. (10 marks)

c) Using a graph, explain the tourism product lifecycle (10 marks)

QUESTION TWO (20 MARKS)

a) Suppose you are given the following information about a tourism firm in Kenya

Total fixed cost = Kshs 400,000

Selling Price per Unit = Kshs 150

Variable Cost per Unit = Kshs 50

Target Profit = Kshs 120,000

Compute the break-even point of the firm. (6 marks)

b) Suppose now the firm in a) above was to give a discount of Kshs 10 per unit, what would be the necessary sales to achieve the target profit (4 marks)

c) Explain five elements of a tourism product (10 marks)

QUESTION THREE (20 MARKS)

a) Several pricing approaches are used in tourism pricing strategies. Briefly explain any four of them. (12 marks)

b) What are the factors affecting tourism demand in Kenya (8 marks)

QUESTION FOUR (20 MARKS)

a) Explain two methods used in the measurement of tourism (4 marks)

b) Suppose that the demand and supply functions are given as follows:

Q^d = 3550-266P…………………………………… Demand Function

Q^s = 1526 + 240P………………………………….. Supply Function

Compute the level of equilibrium price and quantity (6 marks)

c) Compute the point price elasticity of demand in b) above when P =10 and the point price elasticity of supply at P = 20 (4 marks)

d) What are the implications of the seasonal characteristics of tourism (6 marks)

QUESTION FIVE (20 MARKS)

a) Explain five factors affecting the quantity supplied of a commodity (10 marks)

b) Discuss business ethics and unit inherent in the hospitality and tourism sector (10 marks)