



# MACHAKOS UNIVERSITY COLLEGE

(A Constituent College of Kenyatta University)  
University Examinations for 2015/2016

## SCHOOL OF BUSINESS AND ECONOMICS

### DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT SCIENCES

#### FIRST SEMESTER EXAMINATIONS FOR DEGREE IN BACHELOR OF HOSPITALITY AND TOURISM MANAGEMENT

#### SHT 304: INTRODUCTION TO ECONOMICS IN HOSPITALITY AND TOURISM

Date: 8/8/2016

Time: 8:30 – 10:30 AM

#### INSTRUCTIONS:

Answer question one (compulsory) and any other two questions.  
Do not write on the question paper.

#### QUESTION ONE

- (a) Write short notes on the following terms as used in the economics of hospitality and tourism :
- (i) Tourism penetration index
  - (ii) Leisure paradox
  - (iii) Opportunity cost
  - (iv) Inbound tourist (12 marks)
- (b) Suppose in the tourism market equilibrium is restored via the price mechanism. Demonstrate using a well labelled diagram how a shortage would be eliminated. (6 marks)
- (c) The price of four star hotels rose from US\$ 160 to US \$ 180, in May 2014 and June 2014 respectively. The number of rooms visitors were willing to use in the same period fell from 3200 units to 2800 units.
- (i) Calculate the price elasticity of demand for the four star hotel rooms (3 marks)
  - (ii) Interpret your solution in (i) above (1 mark)

- (iii) What in your view should be done to increase the number of rooms demanded by visitors (2 marks)
- (d) Discuss the negative the impacts of tourism on the economy (6 marks)

## **QUESTION TWO**

- (a) Critically evaluate the contribution of the tourism sector to the economy in kenya (10 marks)
- (b) Explain the linkages between hospitality and tourism and the other sectors which may be sustained in economic development (10 marks)

## **QUESTION THREE**

- (a) Discuss the characteristics of international tourism demand (8 marks)
- (b) Explain the main challenges of the hospitality and tourism sector in Kenya (12 marks)

## **QUESTION FOUR**

- (a) Explain the basic characteristics of Kenya's international tourism products (6 marks)
- (b) Evaluate five factors that influence the decision to supply Kenyan tourism and hospitality products in the international market (10 marks)
- (c) State four factors affecting travel choice (4 marks)

## **QUESTION FIVE**

- (a) Discuss the pricing strategies that could be used to improve the competitiveness of Kenya's tourism products in international markets (8 marks)
- (b) Evaluate Kenya's place in world tourism markets (8 marks)
- (c) Briefly mention the positive impacts tourism generates on destinations (4 marks)