



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

SECOND YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR
BACHELOR OF SCIENCE (HOSPITALITY AND TOURISM MANAGEMENT)
HTM 208: INTRODUCTION TO ECONOMICS OF TOURISM AND HOSPITALITY

DATE: 25/3/2021

TIME: 8.30-10.30 AM

INSTRUCTIONS:

- i) Answer question ONE and any other TWO questions. Question one carries 30 marks and the other questions carry 20 marks each.
- ii) Do not write on the question paper

QUESTION ONE (30 MARKS) (COMPULSORY)

- a) The price of four-star hotels rose from US\$ 160 to US \$ 180, in May 2018 and June 2018 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. Highlight any six direct elements of the tourism industry of any nation (6 marks)
- b) State any three basic questions that a society that deal with scarce resources seeks to answer (3 marks)
- c) Highlight any three adverse shocks that affected the Kenyan tourism economy in 2009 (3 marks)
- d) Suppose that the demand and supply functions are given as follows:
$$Q = 3550 - 266P$$
$$Q = 1526 + 240P$$
 - i. Determine the demand and supply functions respectively (3 marks)
 - ii. Compute the level of equilibrium price and quantity (3 marks)
 - iii. above when $P = 10$ and the point price elasticity of supply at $P = 20$ (3 marks)
- e) State and Explain any three definitions of tourism demand curve (6 marks)

QUESTION TWO (20 MARKS)

- a) Tourism as a service sector is unique. State and explain any 6 major characteristics of the Kenyan tourism sector that distinguish it from other sectors (12 marks)
- b) Discuss any four features of the free market economic system that can be evidenced in South Africa (8 marks)

QUESTION THREE (20 MARKS)

- a) The director of the Kenya Tourism Board in the previous televised interview expressed confidence that tourism demand is elastic in price. Justify his claim by providing a convincing example in this sector (2 marks)
- b) The demand in the tourism sector has been inconsistent despite the effort to stabilize it given its economic usefulness in the economy. The ministry has engaged you as their consultant on the things to be considered in formulating their demand function. From an expert point of view explain five factors that determine the price elasticity of demand in the Kenyan industry demand function (10 marks)
- c) Graphically discuss the concept of price controls i.e. price ceiling and price floors as applied in tourism and hospitality industry in East Africa Community (8 marks)

QUESTION FOUR (20 MARKS)

- a) Highlight the unpleasant consequences of seasonality in tourism on ecology and the economy (4 marks)
- b) Highlight any four steps that can be used in the analysis of the economic impact of the tourism activities (2 marks)
- c) Discuss seven factors that can be specified as part of defining a problem for an economic impact assessment (14 marks)

QUESTION FIVE (20 MARKS)

- a) Notwithstanding the many international and scientific definitions of tourism, there seems to be no universally accepted definition. Discuss dimensions and travel and tourism (12 marks)

- b) Briefly explain policy instruments that governments use to manage and regulate demand in the tourism industry (8 marks)