



MACHAKOS UNIVERSITY

University Examinations for 2021/2022 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

FIRSTY YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF SCIENCE (HOSPITALITY AND TOURISM MANAGEMENT)

SHT 105: INTRODUCTION TO ECONOMICS IN HOSPITALITY AND TOURISM

DATE: 26/1/2022

TIME: 2:00 – 4:00 PM

INSTRUCTIONS:

- (i) Answer question one (Compulsory) and any other two questions
- (ii) Do not write on the question paper
- (iii) Show your working clearly

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Mike and Sherry are planning to invest in the hotel and tourism industry in Kenya. They have already acquired 100 X 100 piece of land in Machakos to establish their business. They plan to use the peace of land to construct the hotel area and leave a space for a recreation garden.
- i) Using the case of Mike and Sherry and with the aid of a well-labeled diagram, demonstrate your understanding of resource scarcity, choice, and opportunity cost concepts (6 marks)
 - ii) Apart from land, state and explain the other four inputs that Mike and Sherry require to start their business successfully. (4 marks)
 - iii) There are many other competitors to their business, meaning that they will be operating in a competitive industry. Define the term industry and state five characteristics of the competitive market that they plan to venture in. (5 marks)
 - iv) State and explain four types of costs that their business venture will face. (4 marks)
 - v) State and explain three pricing strategies that mike and Sherry can apply when pricing their service (6 marks)
- b) State five main economic importance of the hotel and tourism industry in Kenya. (5 marks)

QUESTION TWO (20 MARKS)

- a) Discuss factors that motivate people to travel (5 marks)
- b) When formulating a pricing policy, there are several factors to be considered. Discuss five general considerations involved in formulating pricing policy (5 marks)
- c) Discuss the various classification of economic activities in the hospitality and tourism industry (10 marks)

QUESTION THREE (20 MARKS)

- a) According to the tourism Act of 2011, what are the policy goals for the hotel and tourism industry in Kenya (10 marks)
- b) Highlight various hospitality and tourism supply activities and discuss factors affecting the supply of hospitality services (10 marks)

QUESTION FOUR (20 MARKS)

- a) According to the labor-leisure model, individuals get satisfaction from consuming goods and leisure. The utility function can summarize this satisfaction:
$$U = f(C, L),$$
Where U=Utility, C= Consumption of goods, and L= leisure. Using the concept of indifference curves and the budget line, discuss how individuals /households allocate time between work and leisure (10 marks)
- b) Explain **Five** factors affecting demand for leisure and tourism products (10 marks)

QUESTION FIVE (20 MARKS)

- a) State and discuss any **FIVE** roles of any **TWO** of the following stakeholders in the tourism and hospitality industry in Kenya (10 marks)
 - i) Kenya Tourism Board (KTB)
 - ii) Tourism Regulatory Authority
 - iii) Brand Kenya Board
 - iv) Tourism Fund
- b) British supermodel Naomi Campbell was recently named Kenya's tourism ambassador. She will help promote the marketing of Kenya as an ideal tourism and travel destination to the world. Suppose that you are the one who had been given this role, state and discuss five marketing strategies that you would use to market Kenya as an ideal tourism and travel destination to the world. (10 marks)