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(University of Choice)



**MASINDE MULIRO UNIVERSITY OF  
SCIENCE AND TECHNOLOGY  
(MMUST)  
MAIN CAMPUS**

**UNIVERSITY EXAMINATIONS  
2120/2022 ACADEMIC YEAR**

**SECOND YEAR SECOND SEMESTER MAIN EXAMINATIONS  
FOR THE DIPLOMA**

**OF  
IN HUMAN NUTRITION AND DIETETICS HOSPITALITY AND  
INSTITUTION MANAGEMENT**

**COURSE CODE: DHIM 044**

**COURSE TITLE: HOTEL ECONOMICS**

**DATE: 22, APRIL 2022**

**TIME: 3-5PM**

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**INSTRUCTIONS TO CANDIDATES**

Answer **ALL** questions in SECTION A and B  
Answer only **TWO** questions in SECTION C  
Read additional instructions under various sections

TIME: 2Hours

MMUST observes **ZERO** tolerance to examination cheating

This Paper Consists of 5 Printed Pages. Please Turn Over.

## Section A Multiple choice questions Answer all questions

1. The most fundamental economic problem is.....
  - A. Security
  - B. The fact the united states buys more goods from foreigners than we sell to foreigners
  - C. Health.
  - D. Scarcity
  
2. Which is the most **ACCURATE** definition of the study of economics? Economics is the study of..
  - A. the distribution of surplus goods to those in need.
  - B. affluence in a morally bankrupt world.
  - C. ways to reduce wants to eliminate the problem of scarcity
  - D. the choices we make because of scarcity
  
3. When an action is chosen, the highest-valued alternative **NOT** chosen is called the.....
  - A. Accounting cost.
  - B. Opportunity cost.
  - C. Implicit cost.
  - D. Explicit cost
  
4. Entrepreneurs do all of the following **EXCEPT**
  - A. Bear risk from business decisions.
  - B. Own all the other resources.
  - C. Come up with new ideas about what, how, when and where to produce.
  - D. Organize labor, land, and capital.

5. The term ceteris paribus means \_\_\_\_\_.
- A. When other things all change
  - B. Equal access to public transportation
  - C. Other things being equal
  - D. For better or worst
6. The income earned by the people who sell the services of the factor of production \_\_\_\_\_ is called \_\_\_\_\_.
- A. Entrepreneurship; profit
  - B. Entrepreneurship; wages
  - C. Land; profit
  - D. Capital; rent
7. Factors of production include all of the following **EXCEPT** \_\_\_\_\_.
- A. Machines made in past years
  - B. Money
  - C. An wheat field that is not irrigated
  - D. Entrepreneurship
8. You decide to take a vacation and the trip costs you Ksh2,000. While you are on vacation, you do not report to work where you could have earned Ksh750. The opportunity cost of the vacation is
- A. Ksh2,750.
  - B. Ksh2,000.

- C. Ksh750.
- D. Ksh1,250
9. Suppose the price of a product increases from Ksh12 to Ksh20 and the quantity demanded falls from 55 a week to 45. What is the *PED*?
- A. 0.4
- B. -0.4
- C. 2.5
- D. -2.5
10. The fact that KFC decides to produce chicken rather than meatloaf best reflects \_\_\_\_\_ trade off.
- A. what
- B. An incentive
- C. for whom
- D. How

### Section B Answer all questions (6 marks each)

11. What are the operational issues in Hotel Management? How will microeconomics help in decision making in operational issues?  
[6marks]
12. "An increase in price reduces the quantity demanded while a fall in demand reduces the price". A non - economist might find this statement contradictory. As an economist student, explain the apparent contradiction with the aid of a graph?  
[6marks]
13. State **six** factors that determine the demand and supply of hospitality industry in Kenya  
[6marks]
14. "Demand" is a word of common usage. What is the **MEANING** of demand in economics **how** does it differ from want? [6marks]
15. The demand and supply schedules for carrots in a certain Hotel are given below.

Price KShs „000“ per      Quantity demanded      Quantity supplied

ton	per month (thousands of tons)	per month (thousands of tons)
2	110.0	5.0
4	90.0	46.0
8	67.5	100.0
10	62.5	115.0
12	60.0	122.5

- a) Determine the equilibrium quantity of the carrots in this hotel and sketch the diagram  
[4 Marks]
- b) Explain how the of elasticity guides in price discrimination by a monopolist  
[2 Marks]

### Section C Answer any 2 questions (15 marks each)

16. A hotel's price and total costs for the employees are given as:

$$P = 4800 - 6Q$$

$$TC = 50 + 17Q^2$$

- a) Determine the maximum output, price and profit [10marks]
- b) Using illustration explain the three stages of production [5marks]

17. Define what a monopoly is [5 marks]

- a) List several different barriers to entry that can lead to the formation of monopoly.  
[ 5 marks]

b) Name some monopolies that you know of at the national or local level. [5 marks]

18. Why do wage rates differ in hotel industry? Explain both the demand side and supply side reasons. [15 marks]