



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

MAIN CAMPUS

UNIVERSITY EXAMINATIONS

MAIN EXAMINATION

2023/2024 ACADEMIC YEAR

FIRST YEAR, FIRST SEMESTER EXAMINATIONS

FOR THE DEGREE

OF

B.Sc. HOSPITALITY AND INSTITUTIONAL MANAGEMENT

COURSE CODE: BHM 103/PNH 113

COURSE TITLE: INTRODUCTION TO HOTEL ECONOMICS

DATE: 11/12/2023

TIME: 12.00 PM - 2.00 PM

INSTRUCTIONS TO CANDIDATES

Answer all questions in SECTION A and B

Answer two questions from section C.

MMUST observes ZERO tolerance to examination Cheating

This paper consists five printed Pages. Please Turn Over

MAIN EXAMS

SECTION A; (10 MARKS): Answer all questions

- 1) Economics can be defined as:
 - A. The study of process of production
 - B. A field confining itself to the study of human behavior, which traces a relationship between unlimited ends and scarce means.
 - C. It is a field of study which encompasses the study of human behavior in relation to money.
 - D. None of the above.
- 2) The aspect of economics is of importance when making a decision of starting a hotel. Below are some of the factors that are analyzed during decision making **EXCEPT**.
 - A. The cost to be incurred.
 - B. The type of facilities offered
 - C. The type of clientele to be hosted
 - D. The number of rooms to be built
- 3)is a factor that influences supply of commodities.
 - A. All of the below
 - B. Number of consumers
 - C. Natural factors
 - D. B and C above
- 4) Which of the following sectors is the not segment of the hospitality industry?
 - A. Accommodation
 - B. Food and Beverage
 - C. Banks
 - D. Travel
- 5) Which of the following industries have features of perfect competition?
 - A. Clothes
 - B. Cereals
 - C. Vegetables
 - D. Restaurants
- 6) Which of the following is a macroeconomic indicator?
 - A. Buyers
 - B. Consumption
 - C. Labor.
 - D. Demographics.
- 7) is **NOT** a determinant of price elasticity of demand.

MAIN EXAMS

- A. Availability of close substitutes
 - B. Necessities versus luxuries
 - C. Availability of labor
 - D. All of the above
- 8) Which among the following industries have markets similar to oligopolistic competition?
- A. KPLC
 - B. Water companies
 - C. Airlines
 - D. Supermarkets
- 9) Which of the following statements about monopoly competition is **FALSE**?
- A. There are many buyers and only one seller
 - B. The suppliers are price takers
 - C. There are barriers to entry
 - D. The products are homogeneous
- 10)is an implicit cost of production.
- A. Book cost
 - B. Cost of raw materials
 - C. Wages and salaries
 - D. None of the above

MAIN EXAMS

SECTION B; (20 MARKS): Answer all questions

- 11) Wanjiku is a Hospitality management student. She is interested in understanding the effect of the Kenyan economy to the hospitality industry.
- i. Highlight to Wanjiku **THREE** effects of the economy to a hospitality enterprise at inception. (3 Marks)
 - ii. List **FOUR** effects of the economy to a hospitality enterprise during production. (2 Marks)
- 12) Define the following terms as used in the study of economics:
- i. Specialization (2.5 Marks)
 - ii. Division of labor (2.5 Marks)
- 13) Wellness is a key trend in today's lifestyle and suppliers in the hospitality industry are competing by incorporating wellness centers. Highlight **FIVE** factors that affect supply (5 Marks)
- 14) Explain **FIVE** contributions of the Kenyan government to growth in the Tourism sector in the last five years. (5 Marks)

MAIN EXAMS

SECTION C; (30 MARKS)

Answer any two questions from this section.

15) Hotel enterprises are sectors of the Tourism Industry. Elaborate on **FIVE** ways in which the Hotel industry contributes to the Economy. (15 Marks)

16) The **demand** for luxury hotels in Kenya is seen to be rising in the last five years.

- i. Explain the Law of Demand (3 Marks)
- ii. Discuss **SIX** factors that affect demand (12 Marks)

17) The market structure of the hospitality industry is monopolistic.

- i) Highlight the **FOUR** features of monopolistic market structures (4 Marks)
- ii) List **FOUR** other industries with monopolistic market structures (4 Marks)
- iii) Use a diagrammatic illustration to explain the interaction of demand and supply in a monopolistic market structure in the short run. (7 Marks)

