MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY (MMUST)

MAIN EXAMINATION

UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR

FOURTH YEAR SECOND SEMESTER EXAMINATIONS

FOR THE DEGREE
OF
BACHELOR OF SCIENCE IN ECONOMICS & BACHELOR OF HOSPITALITY AND HOTEL MANAGEMENT

COURSE CODE: BHM 407

COURSE TITLE: HOTEL ECONOMICS

DATE: THURSDAY 20TH APRIL 2023   TIME: 8:00-10:00

INSTRUCTIONS TO CANDIDATES

ATTEMPT QUESTION **ONE** AND ANY OTHER **THREE**

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 4 Printed Pages. Please Turn Over.

QUESTION ONE (30 MARKS)

(a)   By use of a diagram explain how market prices restore equilibrium in a buyer market and in a seller market.   (10mks)

Consider a project maximizing form operating under conditions of perfect competition. Suppose the market price is Ksh.50 and the firm face a total cost fraction given by

TC = 10 + 5Q²

(i)   Calculate the maximum profit that this firm can make.   (7marks)

(b)   By use of a diagram explain the bandwagon effect on demand of Pizza from Helen's restaurant.   (7marks)

(c)   Explain 3 features of a monopolistic market structure   (6marks)

QUESTION TWO (20 marks)

(a) What factors determine the supply of hotel and catering services?   (5 marks)

(b) Explain the economic motives that may drive firms in the hospitality industry to form mergers.   (5 marks)

(c) Discuss how growth of the hotel industry creates a multiplier effect on economic development in Kenya.   (10 marks)

QUESTION THREE (20 marks)

The following two functions represent the demand and supply function in the hotel market

Q1 = 3550 − 266P   Q2 = 1526 + 240P

(i) Identify the demand function and the supply function.   (2 Marks)

(ii) Calculate equilibrium price and quantity in the market.   (6 Marks)

(b) Discuss four ways in which government can assist to improve quality of products. (4marks)

(c) Discuss 4 factors that determine the price elasticity of hotel demand.   (8 Marks)

QUESTION FOUR (20 marks)

(a) Discuss the role of Hospitality industry in the growth of Kenya's economy (20 Marks)

QUESTION FIVE (20 marks)

(a) Explain 3 uses of price elasticity of demand (6 Marks)

(b) National income accounting is very paramount to any country that is conscious about its growth and development. Discuss importance of national income statistics. (14 Marks)