MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY (MMUST)

MAIN EXAMINATION

UNIVERSITY EXAMINATIONS
2023/2024 ACADEMIC YEAR

FOURTH YEAR SECOND SEMESTER EXAMINATIONS

FOR THE DEGREE
OF
BACHELOR OF SCIENCE IN HUMAN NUTRTION AND DIETETICS

COURSE CODE: BHM 407

COURSE TITLE: HOTEL ECONOMICS

DATE: THURSDAY 18th April 2024 **TIME: 3:00 -5:00**

INSTRUCTIONS TO CANDIDATES

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

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

QUESTION ONE [30 MARKS]

a).Explain five sectors of the hospitality industry and how they are related to economics [10 marks]

b). Deliberate the role of the government in hospitality industry in Kenya [8 marks]

c). The management of Golf Club hotel is considering investing in an agricultural project. The project has an expected return of 15% per annum. The Club expects the following cash flows from the project.

YEAR	CASH FLOWS (Kshs)
0	(2, 000, 000)
1	400,000
2	428, 000
3	512, 000
4	540, 000
5	820, 000

Calculate;

a). The payback period for the project [3 marks]

b). The Net Present Value [NPV] for each project [4 marks]

c). Calculate the Internal Rate of Return [IRR] for the project [3 marks]

d). Explain the concept price/market mechanism in the context of the hotel industry. [2 marks]

QUESTION TWO [20 MARKS]

a) Define the theory of cost and its components, including total cost, variable cost, fixed cost, and marginal cost. [6 marks]

b) State and explain five factors that determine the demand and supply of hospitality industry in Kenya [8 marks]

c) Explain the theory of labor discrimination and analyze wage differences within the hospitality sector. [6marks]

QUESTION THREE [20 MARKS]

a) Predict future trends in the hotel industry, considering technological advancements, sustainability initiatives, and market demands. [10marks]

b) National income accounting is very paramount to any country that is conscious about its growth and development. Discuss importance of national income statistics [10 marks]

QUESTION FOUR [20 MARKS]

a) A hotel's price and total costs for the employees are given as:

$$P = 4800 - 6Q$$

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

i) Determine the maximum output, price and profit [10marks]

ii) Identify potential growth opportunities and areas for innovation within the hospitality sector [10marks]

QUESTION FIVE [20 MARKS]

a) Discuss different market structures, including perfect competition, monopoly, monopolistic competition, and oligopoly, and evaluate their relevance to the hospitality industry in Kenya. [12 marks]

b) Explain main tools of monetary policy and how they are applicable in money supply regulation. [8 marks]