



OFFICE OF THE DEPUTY VICE CHANCELLOR- ACADEMICS AND STUDENT AFFAIRS

UNIVERSITY EXAMINATIONS

2013/2014 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER EXAMINATION

FOR

DEGREE

IN

**BACHELOR OF TOURISM MANAGEMENT AND BACHELOR OF HOSPITALITY
MANAGEMENT**

COURSE CODE: BHM 111

COURSE TITLE: INTRODUCTION TO HOTEL ECONOMICS

DATE: 6/3/2014

TIME:9.00AM-12.00PM

INSTRUCTIONS TO CANDIDATES

- Answer question one and any other three questions
- Do not write on the question paper
- Marks are shown at the end of each question
- Show workings in the answer booklet for award of full marks
- Mobile phones are not allowed in the examination venue
- Each question should begin on a fresh page
- Duration is 3 hours

THIS PAPER CONSISTS (2) PRINTED PAGES

PLEASE TURN OVER

QUESTION ONE

Briefly discuss factors of production in economics. (25mks)

QUESTION TWO

- a) What do you understand by the term market structure? (2mks)
- b) Explain 4 types of market structures giving implications of operating in each structure. (20mks)
- c) Explain briefly the term barriers to entry as used in economics (3mks)

QUESTION THREE

- a) In the recent years, companies have been merging to function as one enterprise. A good example is the merger between CFC-STANBIC banks in Kenya.
 - i. What are the reasons for such mergers in the business sector? (5mks)
 - ii. Give other examples of mergers in Kenya or globally today. (5mks)
 - iii. What are implications of running an enterprise as a merger? (5mks)
- b) describe the service economy as one of the sectors of the economy, illustrating with examples (10mks)

QUESTION FOUR

- a) Explain briefly 5 factors that affect the demand of a product or service (10mks)
- b) i) With the aid of a diagram, illustrate the normal relationship of price and demand (5mks)
- ii) What does the term elasticity of demand mean? (5mks)
- iii) The price of sugar increased by 50% in Kenya in 2011, leading to a reduction in demand by 25%. What is the price elasticity of sugar? What does the price elasticity figure obtained mean?

QUESTION FIVE

- a) describe the role of the government in the economy of a country (10mks)
- b) what factors contribute to inflation of products and services prices and what are possible remedies to inflation? (15mks)