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(*University of Choice*)

**MASINDE MULIRO UNIVERSITY OF**

**SCIENCE AND TECHNOLOGY**

**(MMUST)**

**MAIN EXAMINATION**

**UNIVERSITY EXAMINATIONS**

**2018/2019 ACADEMIC YEAR**

**FIRST YEAR FIRST SEMESTER EXAMINATIONS**

**FOR THE DEGREE**

**OF**

**BACHELOR OF SCIENCE IN ECONOMICS**

**COURSE CODE: BHM 102**

**COURSE TITLE: HOTEL ECONOMICS**

**DATE: TIME:**

MMUST observes ZERO tolerance to examination cheating

**INSTRUCTION TO THE CANDIDATES**

ATTEMPT QUESTION ONE AND ANY OTHER TWO

TIME: 2 Hours

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This Paper Consists of 3 Printed Pages. Please Turn Over.

**QUESTION ONE**

a) Define the following terms ( i) Hotel (2marks)

(ii) Service (2 marks)

(iii) Double Occupancy (2marks)

(iv) Perfect competition (2marks)

(v) Break-even point (2marks)

b) Identify the special characteristics of the hotel Business (5 marks)

(c) Using an illustrative diagram, outline the law of

(i) Demand (5 marks)

(ii) Supply (5 marks)

(d) Explain different patterns of the nature of demand in the Hospitality Industry (5 marks)

**QUESTION TWO**

a) Differentiate between perfect competition and imperfect competition (8 marks)

b) State supply determinants in the hotel industry (6 marks)

c) Explain three reasons that make it difficult for hotel sector to achieve economies of scale (6 marks)

**QUESTION THREE**

a) Explain the factors that affect demand in the hospitality industry (10 marks)

b) Mention the strategies that a hotel manager can use when supply Exceeds demand (10 marks)

**QUESTION FOUR**

a) Define the term Oligopoly (2 marks)

1. Highlight the characteristics of oligopolistic hotel industry ( 10 marks)
2. Outline four behavioral tendencies exhibited by oligopolistic firms in the hospitality industry ( 8 marks)

**QUESTION FIVE**

1. Explain pricing techniques used to improve income in a hotel business ( 8 marks)
2. b) Examine six factors that influence the elasticity of demand for hotel products and services ( 12 marks



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**INSTRUCTION TO THE CANDIDATES**

1. This paper has two sections **A** and **B**
2. answer.

**SECTION A COMPULSORY Answer all Quessitons (40 Marks)**

1. **a) Distinguish the following terms**

**( i) Hotel and Motel (4marks)**

**(ii) Demand and supply (4 marks)**

**(iii) Perfect and Imperfect competition (4 marks)**

**b) Using an illustrative diagram, explain the external environment of a**

**Hotel business (12 marks)**

1. **Explain how hotels count and measure business in the industry under the following heading (i) Occupancy (4 marks)**

**(ii) Average daily rate (ADR) (4 marks)**

**(iii) Revenue Per available room (RevPar) (4 marks)**

1. **State the benefits of a pricing policy in a hotel (4 marks)**

**SECTION B Answer any two questions in this section (15 Marks per question)**

1. **a) Define the term monopoly ( 3 marks)**

**b) Outline the barriers that a monopoly uses to maintain single seller status**

**and reasons for using such barriers ( 12 marks)**

1. **a) Using relevant examples from the hospitality industry, explain the meaning of the following concepts**

**(i) Law of diminishing marginal utility (5 marks)**

**(ii) Fixed and variable inputs ( 5 marks)**

**(iii) Economies of scale ( 5 marks)**

1. **a) Describe the distinct features which characterize a perfect hospitality market**

**( 10 marks)**

**b) Illustrate how prices are determined in a perfect competition market (5 marks)**

1. **a) Using appropriate examples, discuss the factors that determine demand for hospitality products and services (8 marks)**

**b) Examine seven factors that influence the elasticity of demand for hotel products and services ( 7 marks**