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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR DIPLOMA IN HOSPITALITY MANAGEMENT YEAR ONE, FIRST SEMESTER EXAMINATION UNIVERSITY EXAMINATIONS DHT 020 -HOTEL ECONOMICS

Date: 10th December, 2024 Time: 2.30pm –4.30pm

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANYOTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

a)	Define the following terms as used in the economics		
	i)	Demand	
	ii)	Scarcity	
	iii)	Revenue	
	iv)	Production possibility frontier	
	v)	Hotel	
			(10 Marks)
b)	Outline FIVE special characteristics of a hotel.		
			(5 Marks)
c)	Distinguish between the following terms;		
	i)	Average revenue and Marginal revenue using clear diagrams	(4 Marks)
	ii)	Cost plus or full cost pricing and Going rate policy	(4 Marks)
	iii)	Total fixed cost and total variable cost using clear diagrams	(4 Marks)
d)	Outline THREE objectives of pricing policy.		(3 Marks)

QUESTION TWO (20 MARKS)

- a) Direct effect of a hotel include employment and enterprise opportunities to those working in the tourism sector discuss business practice that will affect scale and distribution of the direct effect impact. (10 Marks)
- b) Movement along a supply curve and a shift of the supply curve using clear diagram.

(8 Marks)

QUESTION THREE (20 MARKS)

a) There are various types of cost that a producer incur in the process of producing goods and services explain FIVE such costs.

(10 Marks)

b) Research indicates that when a survey asks respondents to identify their likelihood to purchase, use, or try a new product, 70% of those who respond they "definitely will" try the product actually will try the new product at least once. Of those who respond that they "probably will" try the product, only 35% actually ever try the new product even once. Of those who respond that they "probably will not" try the product, 10% still will try the product at least once, but none of those that respond that they "definitely will not" try the product end up trying or purchasing the new product. Suppose a survey for a new product has 176 respondents. Of these respondents, 50 say they "definitely will purchase" the new product, 39 say they "probably will purchase" the new product, 27 say they "probably will not purchase" the new product, and 60 say they "definitely will not purchase" the new product. Based on these survey results, calculate the forecast of the number of respondents from the survey who will actually purchase or use the product indicated at least one time. (10 Marks)

QUESTION FOUR (20 MARKS)

- a) When formulating pricing policy there are several factors to consider discuss 5 General considerations involved in formulating pricing policy. (10 Marks)
- b) The quantity demanded of good X is 1230 units when its price is kshs 52 per unit, two goods Y and Z are related to good X, when the price of good Y increases from kshs 45 per unit to ksh 60 per unit, the quantity demanded of good X increases to 1500 units when the price of good Z decreases from kshs 50 per unit to kshs 38 per unit the quantity demanded of good X increases to 2000 units calculate the cross elasticity of good X due to change in prices of goods Y and Z, comment on the answers you get. (10 Marks)

QUESTION FIVE (20 MARKS)

Supply is the quantity producers are willing and able to put in the market at various price levels and within a given period of time after schooling you venture into a hotel business back in the village shopping centre what are the various factors that would limit your level of supply.