



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS

2023/2024 ACADEMIC YEAR

THIRD YEAR SECOND SEMESTER

**SCHOOL OF NATURAL RESOURCES, TOURISM
AND HOSPITALITY**

**BACHELOR OF HOTEL & HOSPITALITY
MANAGEMENT**

COURSE CODE: HHM 3238-1

**COURSE TITLE: INTRODUCTION TO HOTEL
ECONOMICS**

DATE: 30/5/24 TIME: 0230-0430HRS

INSTRUCTIONS TO CANDIDATES

Answer all questions in **Section A** and any other **TWO** in **Section B**

SECTION A

Question one

- a) Windy Sails Limited has prepared the following cost analysis for 6 months of trading.

| | |
|----------------------|----------------------------------|
| Sales (sets) | 1,800 |
| Price | \$850 per set |
| Materials costs | \$150 per set |
| Labour costs | \$150 per set |
| Other variable costs | \$150 per set |
| Overheads | \$600,000 for 6 months operation |

- i. Draw the break-even chart for the company for the 6 months. *Fully label your diagram.* **(3mks)**
 - ii. Determine the break-even quantity, and confirm this by calculation. **(3mks)**
 - iii. Identify the firm's margin of safety for the period. **(3mks)**
 - iv. Calculate the profit made during the period? **(3mks)**
 - v. Evaluate 3 uses of break-even analysis to a company within its decision-making procedures. **(3mks)**
- b) Give four differences between shares and debentures. **(2mks)**
- c) Explain any three differences between monopoly and monopolistic competition. **(3mks)**

SECTION B

Question two

- a) What is the concept of utility in economics, and how does it contribute to decision-making and resource allocation? **(10mks)**
- b) Briefly explain the significance of labor as a factor of production and its impact on economic development. **(5mks)**

Question three

a) Identify and explain four common hospitality operating structures. Give examples **(8mks)**

b) Explain any seven economies of scale a hospitality business can take advantage of. **(7mks)**

Question four.

a) Discuss the 4 exceptions to the law of demand. **(12mks)**

b) Explain any three objectives of pricing. **(3mks)**

Question five

a) Explain 5 forms of price discrimination in a monopoly. **(5mks)**

b) Give 5 conditions necessary for the above to occur. **(5mks)**

c) Identify and explain 10 types of costs that a hospitality may incur. **(5mks)**

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