

CHUKA



UNIVERSITY

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**UNIVERSITY EXAMINATIONS**

**EXAMINATION FOR THE AWARD OF DEGREE OF  
BACHELOR OF CATERING AND HOTEL MANAGEMENT**

**BCHM 411: HOTEL ECONOMICS**

**STREAMS: BCHM**

**TIME: 2 HOURS**

**DAY/DATE: TUESDAY 10/12/2019**

**2.30 PM – 4.30 PM**

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**INSTRUCTIONS:**

**ANSWER QUESTION ONE AND ANY OTHER TWO**

**QUESTION ONE (30 MARKS)**

- (a) Explain the main features of a good forecasting method in the hotel industry. [8 marks]
- (b) A monopolist has the following inverse demand function and cost function  
Required:
- (i) Set up the profit maximization problem and solve for the profit – maximizing price and quantity. [5 marks]
- (ii) Determine the profit for the monopolist. [3 marks]
- (c) With the aid of a well-labelled diagram discuss the concepts of substitution effect and income effects when the price of one good falls, the price of the other good and income of the consumer remaining unchanged. [10 marks]
- (d) Differentiate between consumer surplus and consumer sovereignty. [4 marks]

**QUESTION TWO (20 MARKS)**

- (a) Giving relevant examples, explain the role of managerial economics in the hotel industry. [10 marks]
- (b) (i) Define an isoquant and the properties of well-behaved isoquants. [8 marks]
- (ii) Explain the law of diminishing marginal rate of technical substitution (MRTS). [2 marks]

**QUESTION THREE (20 MARKS)**

- (a) Explain five types of internal economies that would be open to an individual firm when its size expands. [10 marks]
- (b) With well-labelled diagrams demonstrate equilibriums for a firm under perfect competition in the short-run period and long-run period. [10 marks]

**QUESTION FOUR (20 MARKS)**

- (a) Discuss the different concepts of costs in the hotel industry. [6 marks]
- (b) Discuss the importance of hotel industry in the Kenyan economy. [7 marks]
- (c) Discuss the features of oligopoly market structure. [7 marks]
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