

2912/201
TOURISM ECONOMICS
 November 2018
 Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL

DIPLOMA IN TOURISM MANAGEMENT

MODULE II

TOURISM ECONOMICS

3 hours

INSTRUCTIONS TO CANDIDATES

- This paper consists of SEVEN questions.*
- Answer any FIVE questions in the answer booklet provided.*
- All questions carry equal marks.*
- Candidates should answer the questions in English.*

| Number of vehicles in operation | Total revenue Ksh | Average revenue Ksh | Marginal revenue Ksh |
|---------------------------------|-------------------|---------------------|----------------------|
| 1 | 100,000 | 100,000 | 100,000 |
| 2 | 200,000 | 100,000 | 100,000 |
| 3 | 300,000 | 100,000 | 100,000 |
| 4 | 400,000 | 100,000 | 100,000 |
| 5 | 475,000 | 95,000 | 100,000 |
| 6 | 480,000 | 80,000 | 100,000 |

This paper consists of 3 printed pages.

Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.

1. (a) Explain **five** economic features of tourist products. (10 marks)
- (b) Explain **five** factors that may affect the supply of inclusive tour packages in Kenya. (10 marks)
2. (a) Explain **five** causes of inflation in a destination country. (10 marks)
- (b) Explain **five** limitations that should be considered by tourism managers when applying the law of diminishing marginal utility, in tourism consumption behaviour. (10 marks)
3. (a) Explain **five** reasons that may cause the demand curve of a normal tourist good to shift to the right. (10 marks)
- (b) Describe **five** factors that a person should consider before venturing into a tourism business. (10 marks)
4. (a) Explain **five** ways through which the tourism industry may have a multiplier effect in the economic development of a country. (10 marks)
- (b) Describe **five** determinants of a price elasticity of demand for tourist products in a destination. (10 marks)
5. (a) Explain **five** ways through which a destination manager can minimize tourism revenue leakage. (10 marks)
- (b) Describe **five** functions of money in a tourist destination. (10 marks)
6. (a) The following table relates to a tour firm that operates vehicles for hire.

| Number of vehicles in operation | Total revenue Ksh | Average revenue Ksh | Marginal revenue Ksh |
|------------------------------------|----------------------|------------------------|-------------------------|
| 1 | 100,000 | 100,000 | 100,000 |
| 2 | 300,000 | - | - |
| 3 | 390,000 | - | - |
| 4 | 450,000 | - | - |
| 5 | 475,000 | - | - |
| 6 | 480,000 | - | - |

Calculate the Average Revenue and Marginal Revenue for the remaining numbers of vehicles in operation. (10 marks)

- (b) Describe **five** functions of the Central Bank in a destination country. (10 marks)

7. (a) Describe **five** financial institutions from which tourism entrepreneurs may seek investment funds in Kenya. (10 marks)
- (b) A tourist visiting destination A can either choose to stay in a lodge or in a resort. The table below represents the accommodation combinations that may be chosen by the tourist in this destination for the month of May 2017.

| Accommodation combinations | Number of nights in a lodge | Number of nights in a resort |
|----------------------------|-----------------------------|------------------------------|
| 1 | 44 | 34 |
| 2 | 28 | 40 |
| 3 | 20 | 52 |
| 4 | 18 | 82 |

Using the table above, sketch indifference curve.

(10 marks)

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