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2912/201  
TOURISM ECONOMICS  
July 2022  
Time: 3 hours



**THE KENYA NATIONAL EXAMINATIONS COUNCIL**  
**DIPLOMA IN TOURISM MANAGEMENT**  
**TOURISM ECONOMICS**

**3 hours**

**INSTRUCTIONS TO CANDIDATES**

*This paper consists of SEVEN questions.  
Answer any FIVE questions in the answer booklet provided.  
Maximum marks for each part of a question are as indicated.  
Candidates should answer the questions in English.*

**This paper consists of 2 printed pages.**

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

- 1 (a) Tabere Tours and Travel Limited ensures that each employee specializes in one task in its operations. Explain five benefits that may accrue to the firm from the specialization. (10 marks)
- (b) Explain five economic factors that may influence consumer buying behaviour of tourism products in an economy. (10 marks)
2. (a) Ms. Joan Smith intends to set up a tourist lodge in Kenya. Explain five factors that may be considered in determining the location of such a facility. (10 marks)
- (b) With the aid of a diagram, explain the way in which a monopolist touring firm determines the equilibrium price of its products. (10 marks)
3. (a) There has been a rapid increase in prices of tourism products in a certain country in the recent past. Explain five factors that may have contributed to this trend. (10 marks)
- (b) Explain five ways in which the tourism sector may contribute to the economic development of a country. (10 marks)
4. (a) Explain five services offered by commercial banks that aid in the development of tourism products in a country. (10 marks)
- (b) Safari Limited has recently expanded one of its camp site to increase its capacity. Explain five diseconomies of scale that may arise from such expansion. (10 marks)
5. (a) Explain five economic characteristics of tourism products. (10 marks)
- (b) Explain five factors that may influence the elasticity of demand of tourism products in an economy. (10 marks)
6. (a) With the aid of a diagram, explain how a consumer maximises satisfaction from a given expenditure on two goods, using indifference curve analysis. (10 marks)
- (b) Explain five characteristics of money. (10 marks)
7. (a) Explain five challenges that may be encountered by tours and travel companies while seeking finance from a financial institution for their operations. (10 marks)
- (b) With the aid of a diagram, explain the effect of an increase in supply of tourist products on the price, if the demand of the products remains constant. (10 marks)

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