



MUEO

MOI UNIVERSITY

**OFFICE OF THE DEPUTY VICE CHANCELLOR, ACADEMIC
AFFAIRS, RESEARCH & EXTENSION**

**UNIVERSITY EXAMINATIONS
2013/2014 ACADEMIC YEAR**

FORTH YEAR END OF SEMESTER I/II EXAMINATIONS

**FOR THE DEGREE OF
BACHELOR OF BUSINESS MANAGEMENT**

EXAM CODE:- BBM 484

COURSE TITLE:- AIR TRANSPORT ECONOMICS

DATE:- 18TH FEBRUARY, 2014 TIME:- 9.00A.M. - 12.00 NOON.

INSTRUCTION TO CANDIDATES

➤ **SEE INSIDE.**

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BBM 484 : AIR TRANSPORT ECONOMICS EXAMINATION

Time: 3hours

Instructions: Answer questions **one** and any other **three** questions

Question one (compulsory)

- a) With relevant examples distinguish between fixed costs, constant costs and variable costs in relation to air transport services. (8 marks)
- b) The CEO of Msafiri Airways Ltd has hired you as a consultant to advise on the air ticket pricing strategy. As a basis for your recommendation, you have been given the historical air – ticket sales data which seems to suggest the following ticket elasticities.

Description	elasticity	
Own-price elasticity:	Business travelers	-0.05
	Leisure travelers	0.9
Income elasticity:	Business travelers'	unity
	Leisure travelers	0.5

- (i) Given the above elasticities , advise when its ideal to increase air ticket prices in order to increase revenue? (9 marks)
- a. How would you characterize the relationship between air tickets and income elasticities.? (3 marks)
- c) Explain the challenges that face revenue management in air transport. (5 marks)

Question two

- a) Discuss the impact of government regulation on the development of airline services. Do you support deregulation of air transport services? (10 marks)
- b) Describe how price discrimination is practiced in air line services in order to maximize revenue. (5 marks)

Question three

- a) Discuss the main determinants of air transport demand. (5 marks)

b) Explain any three techniques used in forecasting demand for air transport services giving their advantages and disadvantages. (10 marks)

Question four

a) Discuss the barriers to the growth of air cargo transport in the global economy (10 marks)

b) Explain why it is advisable for airline companies to set protection levels. (5 marks)

Question five

a) Discuss how globalization has impacted on development of air transport services.

(5 marks)

b) Discuss the practice yield management and its benefits.

(10 marks)