



MUEO

MOI UNIVERSITY

OFFICE OF THE DVC ACADEMIC AFFAIRS, RESEARCH AND EXTENSION

UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

FOURTH YEAR END OF SEMESTER EXAMINATIONS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

EXAM CODE: BBM 484

EXAM TITLE: AIR TRANSPORT ECONOMICS

DATE: 11TH AUGUST, 2015 TIME: 9.00 A.M. -12.00 NOON.

INSTRUCTION TO CANDIDATES

➤ **SEE INSIDE**

THIS PAPER CONSISTS OF (2) PRINTED PAGE

PLEASE TURN OVER

BBM 484: Air Transport Economics

MAIN EXAMINATION

Time: 3 hours

Instructions

Answer questions one and any other three questions.

Question one (compulsory)

- a.) Demand for air transport is a derived demand. Discuss this statement pointing out clearly the factors that influence the elasticity of demand for air transport. (8 Marks)
- b.) With the aid of a diagram/s, discuss the concept of returns to scale(RTS) in relation to air transport . (7 marks)
- c.) Msafiri airlines intends to introduce revenue management techniques in order to maximise its revenue. Advise the management the conditions that must be necessary to practice revenue management. (10marks)

Question two

For the last four decades, several countries in the world have witnessed the move deregulation of air transport services. Discuss ways in which this has taken place pointing out the challenges faced.(15marks)

Question three

- a.) Citing relevant examples from airline costs,distinguish between fixed costs variable costs and constant costs (9marks)
- b.) Explain ways in which globalisation has contributed to growth of air transport services (5marks)

Question four

- a). liberalization of air transport has taken place in Africa but not without its own challenges. Discuss how it has taken place and explain the barriers hindering the process (10marks)
- b). Explain the economic benefits of air transport (5MARKS)

Question five

- a) Msafiri airlines charges two fares from its travel services in order to maximize on its yields

full price for business customers ksh. 20000

discount price leisure customers ksh. 15000

Required,

compute the expected marginal seat revenue(EMSR) (5MARKS)

- b.) Discuss the level of price discrimination practiced in air transport operations and how it is practiced (15 marks)

Question six

- 4 a) The following are costs of Safi Airline

Total Cost=TC=\$ 200+4q

Total Output=Q= 50 units

Required, compute the marginal cost and average cost of the airlines

- b) Distinguish between the booking limit and protection levels and explain the determinants of protection levels in air transport services (10marks)