



MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2012/2013

**SECOND YEAR FIRST SEMESTER EXAMINATIONS FOR
THE DEGREE OF BACHELOR OF SCIENCE IN
ECOTOURISM, HOTEL & INSTITUTION MANAGEMENT
WITH INFORMATION TECHNOLOGY
(CITY CAMPUS - EVENING)**

**SEH 204: INTRODUCTION TO HOSPITALITY
FINANCE AND CONTROL**

Date: 23rd July, 2013

Time: 5.30 – 7.30 p.m.

SEH 204: INTRODUCTION TO HOSPITALITY FINANCE AND CONTROL

YEAR TWO SEMESTER ONE (CITY CAMPUS)

SECTION A (40 MARKS)

Answer **ALL** the questions from section A in the answer booklet provided

1. Briefly explain the following financial concepts. (6 marks)
a) Double entry c) Agency e) Owner's equity
b) Separate entity d) Duality f) Accruals
2. Explain the three factors that would affect inflow and outflow of cash in a hotel (6mks)
3. Briefly describe four financial functions in an organization like a hotel (8 marks)
4. Outline four main goals of managerial or corporate finance for any hospitality business. (4 marks)
5. Explain five types of errors that may occur in a trial balance. (5 marks)
6. An hotelier has purchased catering equipment for Ksh.300000. The following information is available to the owner regarding this equipment after the next three years. He expects to sell it at the beginning of the fourth year.

Equipment market	Year 1	Year 2	Year 3	Year 4
Value at the beginning of each year	30,000	23,500	19,000	12,000
Hourly usage of each year	2,500	2,000	1,500	

Required: Using sum of digit method, calculate the depreciation of the equipment (6 marks)

SECTION B (30 MARKS)

Answer question **SEVEN (7)** and any other **ONE** question in the answer booklet provided

7. a) Briefly explain the difference between the following stock valuation methods: FIFO and LIFO (3 marks)
- b) A wine cellar in a hotel stores one line of red wine sold in cases of 12 bottles. The opening stock is equals to 5 cases at a cost of Ksh.4550.40. Week one purchases is equal to 8 cases and cost Ksh.4752. Week two purchases is equals to 4 cases costing Ksh.4982.40. Week three purchases is equals to 6 cases at Ksh.5155.20. The sales are all totalled at Ksh.714 and were as follows:

Week 1	110 bottles	Week 3	70 bottles
Week 2	55 bottles	Week 4	20 bottles

Required: Using the FIFO approach, value the wine stock for the four week period (12 marks)

8. a) i.) Define financial statement (2mks)
 ii.) Give three examples of financial statements and their purpose in a hotel (3mks)
 iii.) Describe four characteristics of a quality financial statement (4mks)
- b) Classico Restaurant had the following balances as at the end of June 2013.

Balances	Ksh.	Balances	Ksh.
Buildings	800,000	Inventory	10,000
Bank balance	30,000	Office equipment	150,000
Bank overdraft	5,000	Prepaid expenses	60,000
Cash in till	2,000		

Required:

- i) Extract a balance sheet and determine the capital of the restaurant (6mks)
 ii) Comment on whether Classico Restaurant activities were solvent (4mks)
9. Financial details for Lake View Hotel for the year ended 31st December 2012 are as shown below:

Details	\$	Details	\$
Food and beverage revenue	135,000	Marketing	500
Allowances	5,000	Entertainment	900
Service charge	3,100	Operating supplies	11,200
Banquet room rental	600	Training	1,100
Salaries and wages	36,900	Uniforms	1,700
Cost of food and beverage sold	45,000	Utilities	4,400
Employee benefits	6,800	Miscellaneous	1,500
China, glassware, silver and linen	3,900	Rent	1,200
Contract services	4,300	Insurance	600
Laundry and dry cleaning	1,300	Depreciation	500
Licenses	400	Income tax expense	3,450

Required:

- a) Prepare income statement for Lake View Hotel (10 marks)
 b) Comment on the financial performance of the restaurant (4 marks)
 c) What are the sources of revenue for the restaurant? (3 marks)
 d) What advice can you give for the restaurant to improve on its financial performance? (3 marks)