

# MASENO UNIVERSITY

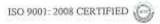
# **UNIVERSITY EXAMINATIONS 2012/2013**

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

- Briefly explain the following financial concepts. (6 marks)
  - a) Double entry
- c) Agency
- e) Owner's equity

- b) Separate entity
- d) Duality
- f) Accruals
- 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)
- 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			
Hourly usage of each year				

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

- 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, valuate 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	V2-4210#10/000000000 #00000000000	0007607300	

#### Required:

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

Details	S	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)