



MACHAKOS UNIVERSITY COLLEGE

(A Constituent College of Kenyatta University)
University Examinations for 2014/2015

SCHOOL OF HOSPITALITY AND TOURISM

DEPARTMENT OF HOSPITALITY AND TOURISM

EXAMINATION FOR BACHELOR MANAGEMENT SCIENCE

DATE:

TIME: 2 HRS

Instructions

1. a) Define accounting. (4 marks)
b) What role does accounting serve in an organization. (6 marks)
2. a) Explain the purpose and aims of internal control in the hotel and restaurant (8 marks)
b) Name and explain four control systems used in the hotel and restaurant. (12 marks)
3. a) Identity four types of special hospitality problems encountered in the hospitality and tourism industry what are their nature and how do they occur. (12 marks)
b) Name and explain the control measures taken to prevent the occurrence of the above problems. (8 marks)
4. a) Highlight the key objectives of operations budgeting. (6 marks)
b) Name and explain three types of budgets essential in any enterprise. (6 marks)
c) Explain the budgeting cycle for hospitality enterprises. (8 marks)
5. a) Define pricing. (2 marks)
b) What are the pricing objectives in any enterprises. (8 marks)

c) Why is control of cash and credit sales important in hospitality and tourism product?

(10 marks)

Financial Statements

	£	£	£	£
Income statements				
Sales		555,000		750,000
Less cost of goods sold				
Opening inventory	100,000		80,000	
Add purchases	<u>200,000</u>		<u>320,000</u>	
	300,000		400,000	
Less closing inventory	<u>60,000</u>	<u>240,000</u>	70,000	<u>330,000</u>
Gross profit		315,000		420,000
Less Depreciation	5,000		15,000	
Wages, salaries and commission	165,000		220,000	
Other expenses	<u>45,000</u>	215,000	<u>35,000</u>	270,000
				<u>150,000</u>
Net Profit		<u>100,000</u>		

Balance sheets

Non-current assets

Equipment at cost	50,000		100,000	
Less depreciation to date	40,000	10,000	30,000	70,000

Current assets

Inventory	60,000		70,000	
Accounts receivable	125,000		100,000	
Bank	<u>25,000</u>	<u>210,000</u>	<u>12,500</u>	<u>182,500</u>
Total assets		220,000		252,500
Current liabilities				
Account payable		<u>104,000</u>		<u>100,500</u>
Net assets		<u>116,000</u>		<u>152,000</u>

Financial by:

Capitals

Balanced at start of year		76,000		72,000
Add net profit		<u>100,000</u>		<u>150,000</u>
		176,000		222,000
Less Drawings		<u>60,000</u>		<u>70,000</u>
Total capital		<u>116,000</u>		152,000

Required:

Calculate the following ratios for each business:

- i) Gross profit as percentage of sale
- ii) Net profit as percentage of sales
- iii) Expenses as percentage of sales
- iv) Inventory turnover
- v) Rate of return of net profit on capital employed (use the average of the capital account for this purpose)

vi) Current ratio

vii) Acid test ratio

viii) Account receivable/sales ratio and ACP

ix) Accounts payable/purchases ratio and APP

(14 marks)

Drawing upon all your knowledge of accounting, comment upon the differences and similarities of the accounting ratio for A and B. Which business seems to be the most efficient? Give possible reasons.