



MACHAKOS UNIVERSITY

University Examinations for 2021/2022 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

SECOND YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF SCIENCE (HOSPITALITY AND TOURISM MANAGEMENT)

SHT 2017-2: INTRODUCTION TO HOSPITALITY AND TOURISM MANAGEMENT
ACCOUNTING

DATE: 15/12/2021

TIME: 2:00 – 4:00 PM

INSTRUCTIONS:

Answer question one and any other two

Don't do any working on the question paper

QUESTIONS ONE (COMPULSORY) (30 MARKS)

- Distinguish between management accounting and financial accounting. (6 marks)
- Highlight the basic assumptions of break-even analysis. (6 marks)
- Assume that you have been appointed as a Management account explain the task you will perform to achieve your intended purpose.
- You have been asked to prepare an analysis between fixed and variable costs in your department. The power costs do not seem to fit into either category easily, the details are as follows:

Week	Machine hours
1	64,000
2	72,000
3	56,000
4	59,200
5	38,800
6	63,600
7	29,600

Addition information

- Machine hours are charged at sh. 20 per hour.
- Fixed costs are assumed to be sh. 270,000.

Required

- Using a graph show the breaking even point. (6 marks)
- i) Explain the disadvantages of accounting rate of return (ARR) technique. (6 marks)
- ii) Explain the role of a management in a Hotel establishment. (6 marks)

QUESTION TWO (20 MARKS)

The Katuku shoes company ltd sells five different styles of ladies 'slippers with identical purchase costs and selling prices. The company is trying to find out the profitability of opening another store which will entail the following expenses and revenues.

	Shs	shs
Selling price		1,200.00
Less: purchase cost	780.00	
Salesmen's commission	60.00	840.00
The annual fixed expenses are		
Rent		240.00
Salaries		8,000.00
Advertisement		3,200.00
Other fixed expenses		800.00
Fixed cost		14,400.00

Consider each the following questions separately. You are required to:

- a) Calculate the annual breakeven point in units and in value. Also determine the profit or loss if 7,000 units of slippers are sold. (5 marks)
- b) The sales commission is to be discounted and instead a fixed amount of shs.360.00 is to be incurred on fixed salaries. A reduction in selling price of 5% is also proposed. What will be the breakeven point in units? (5 marks)
- c) It is supposed to pay the store manager an additional sh.20.00 per pair as commission . The selling price is also proposed o increase by 5%. What then would be the breakeven point in units? (5 marks)
- d) Refer to the data given above:if the store manager was to be paid sh.120.00 commission more on each pair od slippers sold in excess of the breakeven point. What would be the stores net profit if 20,000 pairs were sold. (5 marks)

QUESTION THREE (20 MARKS)

- a) KK tours is experiencing a shortage of funds for investments in the current year, when only Kshs 100,000 is available for investment. No funds shortages are foreseen thereafter. The cost of investment is 20%. The following projects are available.

<u>Projects</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
	<u>Kshs</u>	<u>kshs</u>	<u>kshs</u>	<u>kshs</u>	<u>kshs</u>	<u>kshs</u>
Initial Outlay	100,000	160,000	120,000	60,000	50,000	80,000
Annual receipts						
From projects to						
Perpetuity	30,000	40,000	36,000	20,000	16,000	20,000

REQUIRED

Advise the management on the projects which you would recommend for acceptance if they were:

- i. Divisible (4 marks)
 - ii. Indivisible (4 marks)
 - iii. Would your answer to (b) change if surplus funds could be invested at 12%? Ignore Taxation. (2 marks)
- b) Define the term Demand and explain the factors that may affect the sales of hotel room tickets in Maasi-mara. (10 marks)

QUESTION FOUR (20 MARKS)

- a) As a management accountant in a maxi z beach resort explain the management accounting techniques you can apply in your course of duty. (6 marks)
- b) Explain six limitations of break even analysis (CVP). (6 marks)
- c) Explain any eight general characteristics of a market . (8 marks)

QUESTION FIVE (20 MARKS)

- a) The cost of repairs and maintenance department of Mack hotel ltd in the previous periods have been recorded as follows.

PERIOD	OUTPUT (Standard hours of Production)	REPAIRS AND MAINTENANCE COSTS (KSHS)
1	4,800	12,800
2	4,600	12,800
3	5,000	12,800
4	5,400	13,200
5	4,000	11,800
6	5,720	14,000

- i) Use the least squares method to estimate Fixed and Variable cost. (8 marks)
- ii) What would be the budget estimate for repairs and maintenance if output of 6,000 standard hours is predicted ? (2 marks)
- b) Explain the factors that may affect the supply of cookies in Machakos town. (10 marks)