



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

FOURTH YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF SCIENCE (HOSPITALITY AND TOURISM MANAGEMENT)

BHT 418: HOSPITALITY FINANCIAL MANAGEMENT

DATE: 10/8/2021

TIME: 8.30-10.30 AM

INSTRUCTIONS:

Answer question ONE and any other TWO questions

QUESTION ONE (30 MARKS) (COMPULSORY)

- a) Explain five functions of financial management (10 marks)
- b) Highlight four benefits of cost volume profit analysis to an hospitality industry (8 marks)
- c) Consider a contract of a catering company 'Fun Meals' for a 2 day music festival and it decides to sell sandwiches only. There is only a single variety offered and Fun Meals have also come upon an estimated cost and sales structure:
1. Sale price of sandwich = shs. 9
 2. Average cost of sandwich = shs. 4
 3. Cost of stall = shs. 800
 4. Accommodation = shs. 500
 5. License to sell = shs. 420
 6. Other fixed expenses = shs. 180

Required:

- i. How many sandwiches would have to be sold to break even?
- ii. If a targeted profit of shs. 500 is to be made, advise the management on the number of sandwiches that should be sold in order to meet the targeted profit
- iii. Calculate the margin of safety in percentage and interpret its meaning (12 marks)

QUESTION TWO (20 MARKS)

A company is considering two mutually exclusive projects requiring an initial cash outlay of Sh 10,000 each and with a useful life of 5 years. The company required rate of return is 10% and the appropriate corporate tax rate is 50%. The projects will be depreciated on a straight line basis. The before depreciation and taxes cashflows expected to be generated by the projects are as follows.

<i>YEAR</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
Project A	Shs 5,000	5,000	5,000	5,000	5,000
Project B	Shs 7,000	4,000	3,000	6,000	6,000

Required:

- a) Calculate for each project
 - i. The payback period
 - ii. The net present value
 - iii. Profitability index
- b) Which project should be accepted? Why?

QUESTION THREE (20 MARKS)

- a) Clearly explain the distinction between supply, demand and equilibrium price. (8 marks)
- b) State and briefly explain any four main factors that may cause a fall in the supply of a good in the market. (4 marks)
- c) The table below shows the demand and supply schedules for a product.

Price (Sh. Per Kg.)	Demand (Kg)	Supply (Kg.)
10	100	20
20	85	36
30	70	53
40	55	70
50	40	87
60	25	103
70	10	120

Required:

Plot the demand and supply curves and determine the equilibrium price and quantity (8 marks)

QUESTION FOUR (20 MARKS)

- a) Explain five reasons for financial projections in a business concern. (10 marks)
- b) Outline the steps that should be followed in conducting project evaluation. (10 marks)

QUESTION FIVE (20 MARKS)

- a) Explain five factors that must be considered when conducting a feasibility study before the establishment of a resort in a place.
- b) (10 marks)
- c) Profit can slowly disappear in F&B establishments, a big reason for that can be hidden in the food cost.
Explain five practical ways that can be used to solve this problem. (10 marks)