



MACHAKOS UNIVERSITY

University Examinations for 2022/2023 Academic Year

**SCHOOL OF BUSINESS, ECONOMICS AND HOSPITALITY AND TOURISM
MANAGEMENT**

**DEPARTMENT OF BUSINESS ADMINISTRATION AND FINANCE
FOURTH YEAR FIRST SEMESTER EXAMINATION FOR
BACHELOR OF SCIENCE (HOSPITALITY AND TOURISM MANAGEMENT)**

BHT 418: FINANCIAL MANAGEMENT

DATE:

TIME:

INSTRUCTIONS

Answer Question One and Any Other Two Questions

QUESTION (COMPULSORY) (30 MARKS)

- a) Highlight four benefits of cost profit volume to a hospitality business concern (8 marks)

- b) Consider a contract of a catering firm “Better Foods Ltd” for a music festival and it decides to sell only sandwiches. The company has come up with the following estimates and cost structures:

- Selling price Ksh.3 per unit of sandwich
- Variable selling price Ksh.2 per unit of sandwich
- Fixed cost Ksh. 90,000

Estimated sales for the festival period is 100,000 units of sandwiches or Ksh. 300,000.

Required: Calculate the break-even point (12 marks)

- c) If you can earn 12% on your hospitality investments and you would like to accumulate Ksh.1000,000 for your new resort establishment at the end of 18 years, how much must you invest annually to reach your goal? (8 marks)
- d) State two functions of financial management in a hospitality business (2 marks)

QUESTION TWO (20 MARKS)

For many reasons profit slowly disappears in F&B establishments, a big reason for that can be hidden in the cost. Discuss ten practical ways how you can solve this problem.

QUESTION THREE (20 MARKS)

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

QUESTION FOUR (20 MARKS)

- a) Clearly explain the distinction between supply and demand of a commodity (8 marks)
- b) Discuss six factors that must be considered before establishment of a resort in a place (12 marks)

QUESTION FIVE (20 MARKS)

Draw a break even chart with the help of the data provided below at different production levels of a product:

0, 80,000, 90,000, 100,000, 1100,000 and 120,000 units.

- Sales price per unit Ksh.3
- Variable cost per unit Ksh.2
- Fixed cost Ksh. 90,000.