



MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

SECOND YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF SCIENCE IN HOSPITALITY MANAGEMENT

HTM 2017-2: HOSPITALITY ACCOUNTING 11

DATE: 29/7/2019

TIME: 8.30-10.30 AM

INSTRUCTIONS: Attempt Question One and any other Two Questions

Questions one

- a) Distinguish between management accounting and financial accounting (6 marks)
- b) Highlight the basic assumptions of break-even analysis (6 marks)
- c) 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	32,000
2	36,000
3	26,000
4	29,600
5	34,400
6	36,800
7	14,800

Addition information

- 1. Machine hours are charged at sh. 10 per hour.
- 2. Fixed cost are assumed to be sh. 135,000.

Required

- i. Using a graph show the breaking even point. (6 marks)
- ii. Giving examples explain various classification of costs. (6 marks)
- iii. Define the term budget and explain its purpose. (6 marks)

QUESTION TWO (20 MARKS)

The Zobiwa shoes company 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	7800.00	
Salesmen's commission	60.00	840.000
The annual fixed expenses are		
Rent		240.00
Salaries		800,000
Advertisement		320,000
Other fixed expenses		80,000
Fixed cost		1,440,000

Consider each of 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 3,500 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 to 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 of slippers sold in excess of the breakeven point. What would be the store's net profit if 20,000 pairs were sold. (5 marks)

QUESTION THREE

MK limited accounting year normally ends on 30th September of every year. The company has instructed its chief accountant to prepare the cash budget for the first four months of the year beginning from October 2010. the following data are given.

i)	Total sales	August 2010	sh.750,000.00
		September 2010	sh.1,000,000.00
		October 2010	sh.900,000.00
		November 2010	sh.1,250,000.00
		December 2010	sh.1,500,000.00
		January 2011	sh.400,000.00

40% of the total sales is for cash while the remaining are credit sales to be collected as follows:

ii)	Total purchase	September 2010	sh.500,000.00
		October 2010	sh.400, 000.00
		November 2010	sh. 600,000.00
		December 2010	sh.250, 000.00
		January 2011	sh.750, 000.00

50% of the total purchase is for the cash. 50% of credit purchases must be settled within one month and the remaining within two months after purchase.

iii) The company pays the following expenses during the budget period:

Company income Tax of sh.125, in October 2010

Salaries and wages of sh.250, 000 every month

Dividend of sh.250, 000 in February 2011

Plant costing sh.750, 000 in May 2011

iv) The company will receive the following additional income:

Sales of motor vehicle costing sh.50,000 for 60,000 in November 2010

Dividends received of sh.25,000 and sh 45,000 and December 2010 respectively.

v) The cash balance brought forward as at 1st octocber 2010 was an overdraft of sh.50,000

Required

Prepare the cash budget of the company for each of the first four months of 2010 and 2011 financial year. (20 marks)

QUESTION FOUR

- a) Distinguish between marginal costing and absorption costing. (10 marks)
- b) Explain the various types of functional budget. (10 marks)

QUESTION FIVE

AGBATI Limited produces COLA wine which is bottled and sold in cases. The normal annual level of production on which the fixed production over head absorption is 320,000 cases. Data for the last financial year ended 31 December, 2009 were as follows:

Production	360,000 cases
Sales	300,000 cases
	Per case
	Sh.
Sales	6,000
cost	
Direct Material	2,000
Direct Labour	1600
Variable overhead	800
Fixed Production Overhead	4,240,000

Variable selling and distribution cost 15% of sales revenue.

Fixed selling and distribution cost sh. 600,000

Required

Prepare profit statements for the year ended 31 December, 2009 based on;

- i. Marginal costing 10 marks
- ii. Absorption costing 10 marks