KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2007/2008

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF

BACHELOR OF SCIENCE IN HOSPITALITY & TOURISM MANAGEMENT

HIM 311: HOSPITALITY FINANCIAL MANAGEMENT

DATE: Tuesday 17th June, 2008 **TIME:** 2.00 – 4.00 p.m.

INSTRUCTIONS:

This paper comprises of sections A, B and C. Answer all questions in Section A and B. Answer only ONE question in Section C. All monetary value is in Kenya shillings.

SECTION A

Answer ALL questions in Section A and B.

1. Briefly discuss the concept of periodic inventory control. (4 marks)
2. Explain why an accumulated depreciation contra-asset account is necessary in accounting.
3. Why should a change in revenue mix of a restaurant menu have an effect on gross profit even though there is no change in total revenue? (4 marks)
4. Discuss absolute and relative changes with reference to comparative financial statement(horizontal). Use a restaurant financial statement example.
5. List and explain four possible operating ratios that could be used in a food operation. (4 marks)

SECTION B

As the manager of the Safari Hotel, you have received your first balance sheet conduct a comparative, horizontal analysis of the change in each current asset account from year 1 to year 2. Express each change in shillings and the percentage each change represents. Comment of each change that exceeds 10%.

Current Asset	**Year 1**	**Year 2**
Cash	12,800	14,720

Credit card receivables	2,800	3,360
Accounting receivables	420	100
Food inventories	4,280	6,377
Beverage inventories	1,850	1,762
Prepaid expenses	1,400	16,110
	23,550	25,958

(30 marks)

SECTION B

Answer one question from this section.

7. You have the following information taken from the balance sheet for two successive years of the Serena camp and service lodge.

	Year 002	**Year 003**
Total assets	411,200	395,700
Total liabilities	302,400	315,500
Total stockholders' equity	108,800	80,200

For each year calculate:

(a) Total assets to total liabilities ratio. (5 marks)

(b) Total liabilities to total assets ratio (5 marks)

(c) Total liabilities to total ownership equity. (5 marks)

Discuss the changes that have taken place over the two year period from the viewpoint of your employer who is interested in buying the camp.

SECTION C

Answer ONE question only from this section.

8.The sales records for a coffee shop that has only six items on its menu show the following quantities sold during the month of January. Item standard cost and selling prices are also indicated.

Item	**Cost**	**Selling Price**	**Quantity Sold**
1	20=	60=	654
2	11=	45=	2,196
3	22.50	70	1110
4	17.50	50	990
5	22.50	50	295
6	20	79.50	259

Actual cost for the month of January was 92,010. Actual revenue was 300600.5

(a) Calculate the standard cost percentage and the actual cost percentage for January. Round all amounts to the nearest shilling. (10 marks)

(b) Compare the results. If you were the Restaurant Manager explain why you would or would not be satisfied with the results.

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