



KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2007/2008

INSTITUTE OF OPEN LEARNING

EXAMINATION FOR THE DEGREE OF MASTER OF SCIENCE

HIM 510/509: HOSPITALITY MANAGEMENT ACCOUNTING

DATE: Tuesday 8th January, 2008

TIME: 8.00 a.m. – 10.00 a.m.

INSTRUCTIONS

Attempt all questions in Section A and B. Answer one (1) question from Section C.

All monetary value is in Kshs.

SECTION A

1.
 - (a) Differentiate between fixed and variable costs. Give an example of each.
 - (b) Restaurant Ochilo has had a very good fiscal year. Its sales revenue was 5.8 million in the year ending July 2007. Its cost of sales was 2.3m. How can he compare his performance to Safari Restaurant that has reported a total of 68% gross profit?
 - (c) The owner of a new hotel operation wants a net profit after tax of 20% of his investment annually. The hotel is a 50 room operation in the small town of Eldama Ravine. His total investment was 20 million shillings. Discuss why you would or would not take up the general manager's job.

SECTION B

2. The fixed costs of a Banqueting department is 4000 a day. Kenyatta University has selected a menu for 100 guests they intend to bring to supper. The selected menu has a food cost of 60 and a variable casual labour cost of 17.50 per person. Other variable costs total to 2.50 per guest.
 - (a) Calculate the total cost per person if the banquet were booked.

- (b) You normally work on a 150% mark up (gross profit) to your costs. What price should you quote Kenyatta University as per your policy?
- (c) The customer has a budget of only 112.50 per person for the function. KU is your good customer. The function is in 2 days and there is no likelihood of further bookings before the function. Explain why you would or would not take up the function at 112.50 per person, price.

SECTION C

3. A 45 room Mombasa hotel has 3 sizes of rooms as follows:

Size A: 15 singles @ 150 sq ft

Size B: 15 doubles at 220 sq ft

Size C: 15 Suites at 380 sq ft

Occupancy is good at 80%. Demand for each type of room is about equal. The budgeted sales revenue for next year is expected to be 912,500.

If the average rates were to be solely based on room sizes, what would the average room rates be for room sizes a? b? c?

4. Restaurant Safari has an average check of 100 – per cover. Safari's revenue and costs look like this:

Sales 500,000

Variable costs 260,000

Fixed Costs 160,000

- (a) What is Safari's break even point in sales?
- (b) If revenue were 440,000 due to low season what profits before tax would the owners make.
- (c) How many fewer customers would be expected if prices remains?

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