KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2011/2012

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN TOURISM MANAGEMENT

HTM 306: HOSPITALITY AND TOURISM MANAGEMENT ACCOUNTING I

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DATE: TUESDAY 3RD APRIL 2012 **TIME: 8.00 A.M. – 10.00 A.M.**

INSTRUCTIONS

Answer All question sin Section A and any two questions in section B

SECTION A

Question 1

a) Explain the significance of the following financial statements used in the tourism and hospitality industry (10 marks)

i) Income statement

ii) Balance Sheet

b) The following financial information relates to Advent Safaris Ltd.

	Ksh.
Current Assets	2230.92
Current liabilities	1915.75
Inventories	1520.39
Cash	386.06
Marketable securities	0
Net assets / capital employed	2261.87
Annual operating expenses	3729.94
* assume one financial year = 360 days	

Required:

Calculate the following liquidity ratios: (10 marks)

- Current ratio

- Quick ratio
- Cash ratio
- Interval measure
- Net working capital ratio

c) Explain what each one of the above ratio results mean to the firm. (10 marks)

SECTION B

Question Two

You have been newly employed as the manager of Explore Hotel. You realize that the hotel has been experiencing increasing cases of theft and fraud. Describe ways in which you would curb those cases. (20 marks)

Question Three

a) Exkenyatta Travel Ltd requires you to calculate and present the budget for the year 2011 from the following information

	Ksh.
Sales	
International tourism	300,000
Domestic tourism	500,000
Direct material cost	60% of sales
Direct wages	20 workers @ 150 p.m.
Overheads	
Indirect labour	
Manager 500 p.m.	
Foreman 400 p.m.	
Stores and spares	20,000
Depreciation	12,600
Light and power	5,000
Repairs	8,000
Other sundries	10% of daily wages
Administrative, selling and distribution expenses Ksh 14, 000 pa	

Clearly, show the following items in the budget (10 marks)

a) Sales budget

b) Production cost budget

b) Budgeting is an important management tool of short-term planning and control. However, budgets may actually prove detrimental to effective running of a business. Discuss. (10 marks)

Question Four

Although most businesses have many shared problems relating to internal control, the Tourism and Hospitality businesses have some unique problems that often complicate and make more difficult the implementation of total control. Discuss ten of these characteristics. (20 marks)

Question Five

The following information is provided about three different companies

	Twende saf	Lets Travel saf	Scape Saf
Profit and Loss Extract			
Turnover	3,029,000	1556,000	206,000
Net profit	45,000	67,000	43,000
Balance Sheet			
Fixed Asset	257,000	1,094,000	806,000
Stock	236,000	241,000	5,000
Debtor	9,000	201,000	----
Other Assets	66,000	286,000	26,000
Financed by	**568,000**	**1,822,000**	**837,000**

Required

For each of the three Safari Companies, calculate the following ratios

i) Current ratio

ii) Acid test ratio

iii) Gearing ratio

iv) Return on shareholders funds

v) Net profit percentage (15 marks)

b) Compare and interpret the ratios above (5 marks)