# KENYATTA UNIVERSITY

**UNIVERSITY EXAMINATIONS 2014/2015**

**DIGITAL SCHOOL OF VIRTUAL AND OPEN LEARNING**

**FIRST SEMESTER EXAMINATION FOR THE DEGREE OF MASTER OF SCIENCE IN HOSPITALITY AND TOURISM MANAGEMENT**

**HTM 807: INTERNAL CONTROLS AND DECISION MAKING HOSPITALITY AND TOURISM MANAGEMENT**

DATE: Monday, 22nd December, 2014 TIME: 2.00 p.m. – 5.00 p.m.

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**INSTRUCTIONS:**

Attempt **ALL** questions in Section A. Answer only **ONE** question in Section B. All monetary Value is in Kenya Shillings.

**Section A**

1. Identify the advantages and disadvantages of three traditional pricing methods used by the hospitality and tourism industry. (5 marks)

2. A restaurant manager needs to consider certain critical factors when establishing individual menu item prices. Discuss. (5 marks)

3. In studying the feasibility of a new operation, how can CVP analysis be used to determine the volume of sales required to give a desired return on investment? (5 marks)

4. Using the following information, determine the average single-and double-room rates of this Safari Hotel:

- Average rooms sold per day : 40
- Average rooms double occupied : 15
- Spread wanted between single-and double-room rate : 800
- Average daily revenue : 1,88000

(5 marks)

**Section B**

5. A 140-seat dining room had a weekly customer county by meal period and day:

| | Lunch | Dinner |
|---|---|---|
| Sunday | Closed | 180 |
| Monday | 160 | 110 |
| Tuesday | 170 | 112 |
| Wednesday | 175 | 108 |
| Thursday | 160 | 120 |
| Friday | 180 | 210 |
| Saturday | 50 | 250 |

a) For each meal period and for each day of the week calculate the seat turnover

b) Calculate the average number of customers per day and the average seat turnover for the week for each meal period.

c) List some of the ways in which the information in parts a and b would be useful to the restaurant manager or owner.

(25 marks)

6. A 90-room motel has an average room rate of 65.60. Its fixed costs are 300,000 a year, and its variable costs total 476,000 at an average occupancy of 70 percent. Answer the following questions and discuss the relevance of the given answer to operational decision-making.

a) What is the motel's breakeven occupancy percentage?

b) What level of sales revenue is required to provide an operating in-come (before taxes) of 100,000 a year?

c) If the average room rate is increased by 8.00, and operating income of 100,000 a year is wanted, how many fewer rooms per night would need to be sold than was the case in part b?

d) Wage rates for housekeepers are to be increased by 4.00 an hour. It takes a housekeeper ½ hour to clean a room. Other cost increases will cause an increase of 1.00 in the variable costs per room occupied. Fixed wages and other fixed costs are expected to increase 4,000 per month. To compensate for the increase in room rate to 73.60 (see part c), 30,000 more per year is to be spent on advertising. Operating income (before tax) is to increase 20 percent over the present 100,000 per year. What level of sales revenue is required?

(25 marks)