



# **GRETSA UNIVERSITY - THIKA**

## **UNIVERSITY EXAMINATIONS JANUARY -APRIL 2021 SEMESTER**

### **BACHELOR OF SCIENCE IN HOSPITALITY MANAGEMENT**

**COURSE CODE: BSHM 401**

**COURSE TITLE: FINANCIAL MANAGEMENT IN HOSPITALITY  
AND TOURISM**

**DATE: 12 MAY 2021**

**TIME: 11.30 AM - 2.30 PM**

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#### **INSTRUCTIONS TO CANDIDATES**

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

**CAUTION:** *All exam rooms are under CCTV surveillance during the examination period.*

## **SECTION A: COMPULSORY**

### **QUESTION ONE**

Ojwang's Resort has 180 guest rooms that can accommodate 240 guests. Assuming the following: that all rooms are available for sale and the resort operates 365 days in a year; and that 36500 rooms were sold the year 2020 where total revenue collected was Kshs 104,016,000/= while the housekeeping costs excluding payroll was Kshs 40,300,250/= for the whole year.

- a) Compute the following;
- (i) Revenue per available rooms for the year 2020 [3 Marks]
  - (ii) Occupancy rate for the year 2020 [4 Marks]
  - (iii) Cost per occupied room for the year 2020 [3 Marks]
  - (iv) Average daily rate for the year 2020 [3 Marks]
  - (v) Total revenue per guest the first quarter of year 2020 assuming each room hosted one guest [3 Marks]
  - (vi) Briefly explain the usefulness of the above calculations to the hotel's management [4 Marks]
- b) Briefly answer the following questions:-
- (i) Explain five reasons why working capital is necessary in a hotel [10 Marks]
  - (ii) Identify five factors determining the working capital of a hotel business [10 Marks]

## **SECTION B: ANSWER ANY THREE QUESTIONS**

### **QUESTION TWO**

- a) Describe five sources of finances based on the source [10 Marks]
- b) Examine five characteristics of security finance [5 Marks]
- c) State five advantages of preference shares [5 Marks]

### **QUESTION THREE**

- a) Briefly explain the meaning of the following terms;
- (i) Debenture [2 Marks]
  - (ii) Depreciation funds [2 Marks]
  - (iii) Liquidity ratio [2 Marks]
  - (iv) Turn over ratios [2 Marks]
  - (v) Long term solvency ratio [2 Marks]
- b) Highlight four types of profitability ratios used by managerial accountants [4 Marks]
- c) Highlight six advantages of investors ratios [6 Marks]

## QUESTION FOUR

a) Study Joshua's restaurant income statement below and attempt to answer questions that follow:-

**Figure 6.6 Restaurant Income Statement**

<b>Joshua's Restaurant Income Statement</b>	
<b>For the Year Ended December 31, 2010</b>	
<b>SALES:</b>	
Food	2,058,376
Beverage	482,830
<b>Total Sales</b>	<b>2,541,206</b>
<b>COST OF SALES:</b>	
Food	767,443
Beverage	96,566
<b>Total Cost of Sales</b>	<b>864,009</b>
<b>GROSS PROFIT:</b>	
Food	1,290,933
Beverage	386,264
<b>Total Gross Profit</b>	<b>1,677,197</b>
<b>OPERATING EXPENSES:</b>	
Salaries and Wages	714,079
Employee Benefits	111,813
Direct Operating Expenses	132,143
Music and Entertainment	7,624
Marketing	63,530
Utility Services	88,942
Repairs and Maintenance	35,577
Administrative and General	71,154
Occupancy	120,000
Depreciation	55,907
<b>Total Operating Expenses</b>	<b>1,400,769</b>
<b>Operating Income</b>	<b>276,428</b>
Interest	84,889
<b>Income Before Income Taxes</b>	<b>191,539</b>
Income Taxes	76,616
<b>Net Income</b>	<b>114,923</b>

Prepared using USAR

Assuming Joshua's Restaurant described in Figure 6.6 above had 300 seats and served 260,300 guests during the year, calculate the following:-

- |  |                  |
|--|------------------|
| (i) Food cost percentage   | <b>[3 Marks]</b> |
| (ii) Labor cost percentage   | <b>[4 Marks]</b> |
| (iii) Average sales per guest                                      | <b>[4 Marks]</b> |
| (iv) Seat turnover   | <b>[4 Marks]</b> |
| b) Briefly explain the process of developing cost of beverage sold | <b>[5 Marks]</b> |

## QUESTION FIVE

### KHADIJAH HOTEL COMPARATIVE BALANCE SHEETS AS AT 31 DEC

	YEAR ENDING 31		Increase (+) Decrease (-) year 2019 to 2020	
	2019	2020		
<b>ASSETS</b>				
<b><i>Current assets</i></b>				
Cash	22 900	35 400		
Accounts receivables	23 100	25 200		
Marketable securities	15 000	2 000		
Inventories	19 900	24 700		
Prepaid expenses	5 200	4 900		
<b><i>Total current assets</i></b>	<b><u>86 100</u></b>	<b><u>92 200</u></b>		
<b><i>Fixed assets</i></b>				
Land	161 800	161 800		
buildings	1 432 800	1 432 800		
Furniture and Equipment	374 700	415 600		
China, glass,	25 600	28 400		
	<u>1 994 900</u>	<u>2 038 600</u>		
Less (accumulated depreciation)	<b><u>(632 200)</u></b>	<b><u>(722 000)</u></b>		
<b><i>Total fixed assets</i></b>	<b><u>1 362 700</u></b>	<b><u>1 316 600</u></b>		
<b>TOTAL ASSETS</b>	<b><u>1 448 800</u></b>	<b><u>1 408 800</u></b>		
<b>LIABILITY &amp; STAKE HOLDERS EQUITY</b>				
<b><i>Current liabilities</i></b>				
Accounts payables	19 200	26 500		
Accrued expenses	3 500	4 100		
Income taxes payables	12 300	10 900		
Deposits and credit balances	500	1 800		
Current portion of mortgage	27 200	25 100		
<b><i>Total current liabilities</i></b>	<b><u>62 700</u></b>	<b><u>68 400</u></b>		
<b><i>Long-term liabilities</i></b>				
Mortgage payables	<u>812 900</u>	<u>787 800</u>		
<b><i>Stake holders equity</i></b>				
<i>Common shares</i>	300 000	300 000		
<i>Retained earnings</i>	273 200	152 600		
<b><i>Total stakeholders equity</i></b>	<b><u>573 200</u></b>	<b><u>552 600</u></b>		
<b>TOTAL LIABILITIES AND STAKEHOLDERS EQUITY</b>	<b><u>1 448 800</u></b>	<b><u>1 408 800</u></b>		

Using the information in the above balance sheet compute the following;

- a) Marketable securities Account analysis [2 Marks]
- b) Prepaid Account analysis [2 Marks]
- c) Current portion mortgage account analysis [2 Marks]
- d) Absolute values for;
- (i) Cash, [2 Marks]
  - (ii) Furniture and equipment [2 Marks]
  - (iii) Retained earnings [2 Marks]
- e) Briefly explain four reasons why major stakeholders in the hotel could be interested with the above analysis and interpretations [8 Marks]