



**MASINDE MULIRO UNIVERSITY OF
SCIENCE AND TECHNOLOGY
(MMUST)**

**MAIN / BUNGOMA / WEBUYE / MUMIAS / KAPSABET / NAIROBI
CAMPUS**

**UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR**

FOURTH YEAR SEMESTER ONE EXAMINATIONS

**FOR THE DEGREE
OF
BACHELOR OF HOSPITALITY ANAGEMENT**

COURSE CODE: BHM 402

COURSE TITLE: HOSPITALITY ACCOUNTING

DATE: FRIDAY 16TH DECEMBER 2022

TIME: 12-2 PM

INSTRUCTIONS TO CANDIDATES

Attempt QUESTION ONE and any other two questions

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 4 Printed Pages. Please Turn Over. ►

QUESTION ONE (30 MARKS)

- a) Explain any five objectives of accounting [5 Marks]
 b) A customer has placed a special birthday package with a Resort. Three departments within the resort will be involved in servicing the client. The following information is given regarding this order:

	Departments		
	X	Y	Z
Materials issued for the order	Sh 21 000	Sh 4000	Sh 2 500
Direct labour hours for the order	8	13	16
Rate of direct labour per hour	Sh 100	Sh 150	Sh 200
Total overheads for the departments	Sh 20 000	Sh 30 000	Sh 40 000
Total labour hours for the departments	100	300	400

Required: Calculate cost of the order [6 Marks]

- c) Explain any four errors that do not affect the agreement of a trial balance [4 Marks]
 d) Explain the importance of budgeting to an organization [5 Marks]
 e) Florence has just opened a new bakery specializing in the baking of cookies, bread and cakes. The following information is provided relating to the anticipated demand and productive capacity for the next two months in respect of the three products.

	Cookies	Bread	Cakes
Contribution per unit of output	Ksh 240	Ksh 200	Ksh 120
Machine hrs required per unit of output	6 hours	2 hours	1 hour
Estimated sales demand	4000 units	4000 units	4000 units
Required machine hrs for the month	1000 hours	500 hours	300 hours

Because of the breakdown of one of the cookers, capacity is limited to 1200 machine hours for the period, and this is insufficient to meet total sales demand. You have been asked to advise on the mix of products that should be produced during the period [6 Marks]

- f) Explain four objectives of internal control [4 Marks]

QUESTION TWO (20 MARKS)

The following is a trial balance of Tamu Hotels for the period ended 31 December, 2021

	Dr Shs	Cr Shs
Sales		400,000
Purchases	350,000	
Sales returns	5,000	
Purchases returns		6,200
Opening stock at 1 January 2021	100,000	
Provision for bad debts		800
Wages and salaries	30,000	
Rates	6,000	
Telephone	1,000	
Hotel fittings at cost	40,000	
Cooker at cost	30,000	
Debtors and creditors	9,800	7,800
Bad debts	200	

Capital		179,000
Bank balance	3,000	
Drawings	<u>18,000</u>	
	<u>593,000</u>	<u>593,000</u>

Additional information:

- i. Closing stock at 31 December 2021 Shs 120,000
- ii. Accrued wages Shs 5,000
- iii. Rates prepaid Shs 500
- iv. The provision for bad debts to be increased to 10 percent of debtors.
- v. Telephone account outstanding Shs 220
- vi. Depreciate hotel fittings at 10 per cent per annum, and Cooker at 20 per cent per annum on cost.

Required:

- a. Income statement for the period ended 31 December, 2021 [10 Marks]
- b. Statement of financial position as at 31st December, 2021 [10 Marks]

QUESTION THREE (20 MARKS)

a. *Hakuna Matata Tours and Travels Ltd* operates in the hospitality industry. The company is examining the viability of a planned 2 day tours package to Maasai Mara. Estimated fixed costs are Ksh 800 000. These include the accommodation fees, game park entry fees, transport and advertising costs. Variable costs consist of the cost of meals which will be provided by a restaurant based at Maasai Mara at a price, which is currently being negotiated, but it is likely to be in the region of Ksh 3000 per customer. The proposed charges per customer is Ksh 8 000 . The management of *Hakuna Matata Tours & Travels Ltd* has requested the following information:

- I. The number of customers needed to break-even [3 Marks]
- II. How many customers are needed to earn Ksh 600 000 profit [3 Marks]
- III. What profit would result if 200 customers bought the package? [3 Marks]
- IV. What selling price would have to be charged to give a profit of Ksh 300 00 on sales of 200 tickets, fixed costs of Ksh 800 000 and variable costs of Ksh 3 000 per ticket?[3 Marks]
- V. How many additional tickets must be sold to cover the extra cost of television advertising of Ksh 80 000? [3 Marks]

b) ABC Ltd sells a single product. Fixed costs are Sh 700 000 p.a. and a variable cost of Ksh 70 is incurred for each additional unit produced and sold over a very large range of outputs. The current selling price for the product is Ksh 160, and at this price 10 000 units are demanded p.a. it is estimated that for each successive increase in price of Ksh 2 annual demand will be reduced by 500 units. Alternatively, for each Ksh 2 reduction in price demand will increase by 500 units. Calculate the optimum output and price for the product assuming that if prices are set within each Ksh 2 range there will be a proportionate change in demand [5 Marks]

QUESTION FOUR (20 MARKS)

a) Sweet tooth Bakers Ltd produces three premium cake varieties; Vanilla,Caramel and Choco. The following is a summary of the planned activity during the month of December, 2022

	Product	Quantity (units)	Price each (Sh)
Sales:	Vanilla	1 000	10 000
	Caramel	2 000	12 000
	Choco	1 500	14 000
Ingredients used in the products:			
Ingredient	M1	M2	M3
Unit cost	Sh 400	600	900
Quantities used in:	M1(units)	M2(units)	M3(units)
Vanilla	4	2	-
Caramel	3	3	2
Choco	2	1	1
Finished stocks:	Vanilla(units)	Caramel (units)	Choco (units)
Quantities			
1 st December	1 000	1 500	500
31 st December	1 100	1 650	550
Ingredients in stocks:	M1(units)	M2(Units)	M3(units)
1 st December	26 000	20 000	12 000
31 st December	31 200	24 000	14 400

Required: Using the following information, prepare budgets for the month of December for

- i. Sales in quantity and value, including total value [2 Marks]
 - ii. Production quantities [2 Marks]
 - iii. Ingredients usage in quantities [4 Marks]
 - iv. Ingredients purchase in quantity and value, including total value [4 Marks]
- b) Explain any four features of a good internal controls system [8 Marks]