



# TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF HUMANITIES AND SOCIAL SCIENCES

DEPARTMENT OF HOSPITALITY & TOURISM MANAGEMENT

**UNIVERSITY EXAMINATION FOR THE DEGREE OF:**

**BACHELOR OF TECHNOLOGY IN HOTEL AND HOSPITALITY**

**MANAGEMENT (BTHM S14/S-PT)**

**BFI 4301: FINANCIAL MANAGEMENT IN HOSPITALITY**

**END OF SEMESTER EXAMINATION**

**SERIES: DECEMBER 2016**

**TIME: 2 HOURS**

**DATE: Pick Date DECEMBER 2016**

## Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of **FIVE** questions. Attempt Choose instruction.

**Do not write on the question paper.**

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## **SECTION A (Answer all the questions)**

**30 POINTS**

### **QUESTION ONE**

Benjoy fast foods ltd uses variance analysis as a method of cost control. The following information is available for the year ended 30<sup>th</sup> April 2016.

Budget	Production for the year	12,000 units
	Standard cost per unit:	kes
	Direct materials (3kgs @ kes 10/kg)	30
	Direct labour (4Hrs @ kes 6/Hr)	24
	Overheads (4Hours @ Kes 2/Hr)	<u>8</u>
		<u>62</u>
Actual	Actual production units for the year	11,500 Units
	Labour – Hours for the year	45,350Hours

- Cost for the year	Kes 300,000
Materials – Kg used in the year	37,250kg
- Cost for the year	Kes 345,000

### REQUIRED

- i) Briefly explain what variance analysis is and identify the possible causes of labour and material variances (5marks)
- ii) Compute: - Material price and Usage Variance  
Labour rate and Efficiency Variance. (25Marks)

### SECTION B (Answer only TWO questions)

#### QUESTION TWO

i) A company makes a single product with a selling price of kshs 300 and a variable cost of ksh 180. Fixed costs are kshs 60,000 p.a.

#### Required

- a) Calculate the break-even point in units and shillings  
b) What number of units will be needed to achieve a profit of kshs 20,000 p.a  
c) Contribution sales ratio (15 marks)
- ii) Identify Five assumptions on which Cost Volume Profit (CVP) analysis is based. (5Marks)

#### QUESTION THREE

A hotel wishes to analyze its electricity cost in its rooms department in terms of fixed and variable elements. Monthly income statements show that during its busiest and slowest months, cost and rooms occupied information is as follows:

	Rooms cost	room sold
Busiest	kshs 2,600	2,400
Slowest	kshs2,000	1,200

#### Required

- a) Variable cost per room occupied.  
b) Total variable cost for the busiest and the slowest months  
c) Total fixed cost per month (20 Marks)

#### QUESTION FOUR

XYZ ltd makes produces and sells M20. During the month of April 2016, 7,500units were produced. Product cost per unit was as follows:

	Cost per unit
Direct materials	37.50
Direct labour	18.75

Variable overheads	26.25
Fixed overhead	35.00

The selling price per unit is shs. 150

**Required**

- a) Prepare a marginal cost statement showing the profit or loss realized. (10Marks)
- b) Product M20 can be purchased from another manufacturer at shs. 90 per unit. Advise the management whether the product should be purchased or manufactured. (10Marks)

**QUESTION FIVE**

Write short notes on:

- a) Variance Analysis
- b) Break-even point
- c) High- low method
- d) Least squares regression

(20 Marks)