



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF MANAGEMENT SCIENCES**

**DEPARTMENT OF HOSPITALITY AND TOURISM**

<b>QUALIFICATION:</b> BACHELOR OF HOSPITALITY MANAGEMENT	
<b>QUALIFICATION CODE:</b> 27BHMN	<b>LEVEL:</b> 7
<b>COURSE CODE:</b> FMH420S	<b>COURSE NAME:</b> FINANCIAL MANAGEMENT FOR HOSPITALITY AND TOURISM
<b>SESSION:</b> JANUARY 2020	<b>PAPER:</b> THEORY AND CALCULATIONS
<b>DURATION:</b> 3 HOURS	<b>MARKS:</b> 100

<b>SECOND OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
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<p style="text-align: center;"><b>INSTRUCTIONS</b></p> <ol style="list-style-type: none"><li>1. Answer ALL the questions in either blue or black ink only. NO pencil allowed.</li><li>2. Start each question on a new page</li><li>3. Write clearly, neatly and number the answers clearly.</li><li>4. Round off your answers to the nearest whole number</li><li>5. Questions relating to this examination may be raised in the initial 30 minutes after the start of the paper. Thereafter, candidates must use their initiative to deal with any perceived error or ambiguities &amp; any assumptions made by the candidate should be clearly stated.</li></ol>
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**PERMISSIBLE MATERIALS**

1. Scientific calculators

**THIS QUESTION PAPER CONSISTS OF \_5\_ PAGES (Including this front page)**

**QUESTION 1****[24 MARKS]**

- a) Ndapuka bus services is the official transport company for the NUST hotel school and maintenance costs of its buses are paid by NUST. Below are the maintenance costs over the past eight months, along with its total distance travelled in kilometres, are as follows:

Months	Total distance travelled in km	Total cost (N\$)
February	110 000	5 565 500
March	85 000	4 315 500
April	96 000	4 865 500
May	100 000	5 065 500
June	70 000	3 565 500
July	120 000	6 065 500
August	105 000	5 315 500
September	115 000	5 815 500

The total number of kilometres travelled in October is estimated at 97 500

**Required:**

Calculate the total cost for October using the high low method

(16 )

- b) Write concise explanatory notes on the following cost concepts/terms:

- i) Opportunity cost (2)
- ii) Sunk cost (2)
- iii) Direct costs (2)
- iv) Indirect costs (2)

**QUESTION 2****[26 MARKS]**

Bauenstube family restaurant is considering two projects which are similar in nature and both are expected to operate for four years. Only one project can be accepted due to lack of funds to undertake both projects. The cost of capital is 12%.

The following information is provided:

	Profit after depreciation	
	Project A	Project B
	N\$000	N\$000
Year 0	46 000	46 000
Year 1	6 500	4 500
Year 2	3 500	2 500
Year 3	13 500	4 500
Year 4	(1 500)	14 500
Estimated scrap value at the end of year 4	4 000	4 000

Depreciation is charged on the straight line basis.

**Required:**

- a) Calculate the payback period for both projects (5)
- b) Calculate the net present value (NPV) for both projects (12)
- c) Assume the two projects are mutually exclusive. Which project should be chosen? (2)
- d) Identify any three conditions under which the Internal Rate of Return (IRR) and the NPV techniques may produce different results (3)
- e) List any 2 advantages and 2 disadvantages of IRR (4)

**QUESTION 3****[25 Marks]**

The following information relates to Okapuka lodge. The cash balance as at the beginning of March 2017 was N\$27 000. The lodge has the following budgeted incomes and expenses:

<b>Month</b>	<b>Cash Sales</b>	<b>Credit Sales</b>	<b>Purchases</b>	<b>Salaries</b>	<b>Fixed Overheads</b>
	N\$	N\$	N\$	N\$	N\$
January		74 000	55 200	9 000	30 000
February		82 000	61 200	9 000	25 000
March	20 000	80 000	60 000	9 500	25 000
April	22 000	90 000	69 000	9 500	27 000
May	25 000	100 000	75 000	10 000	32 000

The following information also relates to the business

- Creditors give one-month credit
- Salaries are paid in the current month
- Fixed costs are paid one month in arrears
- **Credit sales are settled as follows:**
  - 40% in month of sale
  - 45% in next month
  - 12% in two months following the sale
  - The balance represents bad debts.

**Required:**

- a) What is a budget? (2)
- b) Describe any three purposes of budgeting (6)
- c) Prepare a cash budget for March, April and May 2017 (17)

**QUESTION 4****[25 Marks]**

Country club resort has won a tender to supply food for the Windhoek Swapo rally. Below is the marginal costing statement of the company for November:

	<b>N\$</b>
<b>Sales (1 650 plates of food)</b>	<b>825 000</b>
Less: Variable costs	495 000
<b>Contribution</b>	<b>330 000</b>
Less: Fixed costs	130 000
<b>Net profit</b>	<b>200 000</b>

**Required: Calculate the following:**

- a) Contribution per unit and as a percentage (7)
- b) Breakeven point in units and Namibian dollars (6)
- c) Sales in units and Namibian dollars assuming that the company would like to make a target profit of N\$250 000 before tax (6)
- d) Margin of safety in units and Namibian dollars (6)

**END OF EXAMINATION QUESTION PAPER**

