



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF HOSPITALITY AND TOURISM

QUALIFICATION: BACHELOR OF HOSPITALITY MANAGEMENT	
QUALIFICATION CODE: 27BHMMN	LEVEL: 7
COURSE CODE: FMH420S	COURSE NAME: FINANCIAL MANAGEMENT FOR HOSPITALITY AND TOURISM
SESSION: NOVEMBER 2019	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
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INSTRUCTIONS
<ul style="list-style-type: none">• Answer ALL the questions in either blue or black ink only. NO pencil allowed.• Start each question on a new page• Write clearly, neatly and number the answers clearly.• Round off your answers to the nearest whole number• 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 & any assumptions made by the candidate should be clearly stated.

PERMISSIBLE MATERIALS

- Scientific calculators

THIS QUESTION PAPER CONSISTS OF 8 PAGES (Including this front page)

QUESTION 1**[25 MARKS]**

For questions 1.1 – 1.25, write the answer only (the correct letter chosen) in your answer sheet/answer book and not on question paper. Do not copy the question and the answers again

- 1.1 The financial goal of the firm is to_____
- Maximise return
 - Optimise solvency
 - Maximise shareholders' wealth
 - Optimise liquidity
- 1.2 Which of the following statements is correct?
- Profitability is the firm's ability to generate cash sales
 - Solvency is the extent to which the firm's assets exceed its liabilities
 - Liquidity is the firm's inability to satisfy its short-term obligations as they become due
 - None of the above
- 1.3 Financial management is based on the following principles:
- Cost of resources
 - Risk-return
 - The time value of money
 - b and c above
- 1.4 The cost-benefit principle means that_____
- Decisions based on cost only will yield the best benefits
 - The greater the cost, the greater the benefits
 - Clarity about the objective to be attained is vital
 - Benefits should outweigh costs
- 1.5 The risk-return principle states that_____
- Every business decision may result in either a profit or a loss
 - The higher the risk, the higher the required rate of return
 - Risk and uncertainty are synonyms
 - The higher the risk, the lower the actual rate of return
- 1.6 According to time-value-of-money principle_____
- There is an opportunity cost involved in waiting to receive an amount of money
 - Money should at all times be invested to earn a return
 - Cash flows received later as opposed to earlier are in order
 - None of the above
- 1.7 The agency problem refers to_____
- Inefficient advertising agencies
 - Auditing fees only
 - Industrial espionage
 - Managers and shareholders goal alignment
- 1.8 The capital market is involved with the_____
- Supply and demand of short-term funds
 - Supply and demand of long-term funds
 - Primary market only
 - None of the above
- 1.9 A cost that is easily traceable to a cost object is known as:
- indirect cost
 - variable cost
 - direct cost
 - fixed cost
- 1.10 A cost that is not easily or conveniently traceable to a cost object is known as:
- collective cost

- b) indirect cost
 - c) additional cost
 - d) conversion cost
- 1.11 Which of the following terms is used to denote the response of a cost to the change in business activity?
- a) Cost behaviour
 - b) Cost trend
 - c) Cost response
 - d) Cost accumulation
- 1.12 A cost that changes in total dollar amount with the change in the level of activity is known as:
- a) fixed cost
 - b) mixed cost
 - c) conversion cost
 - d) variable cost
- 1.13 A cost that does not change, in total, with the change in activity is called:
- a) mixed cost
 - b) fixed cost
 - c) prime cost
 - d) unchanged cost
- 1.14 Mixed cost is also known as:
- a) double cost
 - b) semi-variable cost
 - c) fluctuating cost
 - d) full cost
- 1.15 According to cost formula $Y = N\$20\,000 + N\$4x$, total cost at an activity level of 15 000 units would be:
- a) N\$20 000
 - b) N\$60 000
 - c) N\$80 000
 - d) N\$35 000
- 1.16 Which of the following costs is not a product cost?
- a) Depreciation on the plant installed in the factory
 - b) The electricity cost of the office of factory foreman
 - c) The cost of shipping finished products to customers
 - d) The cost of fuel used in the factory
- 1.17 Which of the following costs is not a period cost?
- a) Advertising cost
 - b) Sales commission
 - c) Interest
 - d) Direct labour
- 1.18 The costs incurred to acquire or manufacture a product is known as:
- a) Period costs
 - b) Product costs
 - c) Administration costs
 - d) Real costs
- 1.19 Prime cost =?
- a) Manufacturing overhead cost + Direct labour cost
 - b) Direct materials cost + Direct labour cost
 - c) Direct materials cost + Manufacturing overhead cost
 - d) Direct materials cost + Direct labour cost + Manufacturing overhead cost
- 1.20 Conversion cost =?

- a) Direct labour cost + Manufacturing overhead cost
 - b) Direct materials cost + Manufacturing overhead cost
 - c) Direct materials cost + Administration cost
 - d) Direct materials cost + Marketing cost
- 1.21 Manufacturing cost =?
- a) Direct materials cost + Manufacturing overhead cost
 - b) Direct materials cost + Direct labour cost + Manufacturing overhead cost
 - c) Direct materials cost + Direct labour cost + Manufacturing overhead cost + Marketing and administration cost
 - d) Prime cost + Conversion cost
- 1.22 The cost of alternative 'A' is N\$25 000 and the cost of alternative 'B' is N\$20 000. In managerial accounting, the difference of N\$5 000 in costs of two alternatives would be termed as:
- a) additional cost
 - b) extra cost
 - c) differential cost
 - d) essential cost
- 1.23 The benefit forgone when one alternative is selected rather than another is known as:
- a) sunk cost
 - b) opportunity cost
 - c) differential cost
 - d) decision cost
- 1.24 The Washington Company incurred N\$50 000 to ship 22 000 litres and N\$42 000 to ship 18 000 litres. If the company ships 20 000 litres, its expected shipping expense would be closest to:
- a) N\$40 000
 - b) N\$44 000
 - c) N\$46 000
 - d) N\$48 000
- 1.25 Which of the following terms is correct for a cost that has already been incurred and cannot be changed by any decision?
- a) Past cost
 - b) Previous cost
 - c) Lost cost
 - d) Sunk cost

QUESTION 2**[30 MARKS]**

- a) The manager of Country club, a well-known Windhoek hotel would like to develop a cost model to predict the future costs of running the hotel. Unfortunately, the only data that is available to him is the level of activity (number of guest rooms) in a given month and the total costs incurred in each month. The hotel reported a total cost of N\$240 per guest room at its lowest activity level, when availability equalled 100 guest rooms. When availability doubled, at its highest activity level, the total cost per guest room dropped to N\$150. Being a new hire at the company, the manager assigns you the task of anticipating the costs that would be incurred in the following month (December). He anticipates that the number of guest rooms that will be available in December will be 250.

Required: Apply the High-Low method to develop a cost function and predict the total costs that will be incurred in the month of December. (14)

- b) Nictus furniture manufactures specialised types of furniture that are only used by hotels and restaurants in Namibia. During the month of October 2019, a total of 2 000 units were manufactured and sold. The following cost details were provided:

Cost item	N\$(per unit)
Timber	10
Labour cost (carpenter)	8
Variable factory overhead	5
Commission	2

Other costs incurred were N\$2 000 for fixed factory overheads and N\$1 500 for fixed selling expenses.

Required: calculate the

- i) Conversion cost (4)
- ii) Prime cost per unit (3)
- iii) Total manufacturing cost (4)
- iv) Total operating cost (3)
- v) Product and period cost (2)

QUESTION 3**[25 MARKS]**

Below is the summarised statement of financial position of Gocheganas Lodge and the statement of comprehensive income for the year ended 31 December 2018.

Gocheganas Lodge**Statement of financial position as at 31 December 2015**

ASSETS	2018	2017
<u>Non-current assets</u>	9 450 000	8 640 000
Property, plant and equipment	9 450 000	8 640 000
Investments	-	-
Current assets	36 045 000	29 632 500
Inventories	20 925 000	14 850 000
Receivables	12 150 000	9 990 000
Cash assets	2 970 000	4 792 500
TOTAL ASSETS	45 495 000	38 272 500
EQUITY AND LIABILITIES		
<u>Share capital and reserves</u>	16 335 000	15 120 000
Share capital	7 000 000	7 000 000
Other reserves	-250 000	-250 000
Retained earnings	9 585 000	8 370 000
Redeemable -preference shares	2 700 000	2 700 000
<u>Non-current liabilities</u>		
Long term borrowings	7 425 000	7 425 000
<u>Current liabilities</u>	19 035 000	13 027 500
Trade and other payables	4 860 000	4 320 000
Short term borrowings	14 175 000	8 707 500
TOTAL EQUITY AND LIABILITIES	45 495 000	38 272 500

Gocheganas Lodge**Statement of comprehensive income for the year ended 31 December 2018**

	2018	2017
Sales revenue	85 320 000	74 250 000
Cost of sales	63 990 000	54 945 000
Gross profit	21 330 000	19 305 000
Operating expenses	12 636 000	11 070 000
Depreciation	810 000	675 000
Profit before interest and tax	7 884 000	7 560 000
Finance costs	2 430 000	1 485 000
Profit before tax	5 454 000	6 075 000
Income tax expense	2 430 000	2 160 000
Profit from continuing operations	3 024 000	3 915 000
loss on discontinued operations	1 080 000	-
Profit for the year	1 944 000	3 915 000

Statement of changes in equity**For the year ended 31 December 2016**

	2018	2017
Balance at 31 December	8 370 000	5 184 000
Comprehensive income for the year	1 944 000	3 915 000
	10 314 000	9 099 000
Dividends-preference shares	-324 000	-324 000
Dividends-ordinary shares	-405 000	-405 000
Balance at 31 December	9 585 000	8 370 000

Required: Compute the following ratios of Gocheganas Lodge for 2017 and 2018

- i) Current ratio (4)
- ii) Acid test ratio (4)
- iii) Inventory turnover ratio (4)
- iv) Debtors collection period (4)
- v) Creditors settlement period (4)
- vi) Debt ratio (4)
- vii) Presentation (1)

QUESTION 4**[20 MARKS]**

Protea Hotel by Marriott Walvis Bay Pelican Bay overlooks the wetland coastline of Walvis Bay Lagoon, a protected naturalistic area. It features a spa with massage treatments, nearby golf facilities and windsurf equipment. Decorated in soft pastel tones, rooms at Protea Hotel by Marriott Walvis Bay Pelican Bay are well presented with a clean lay-out. Situated among the green surroundings of the Esplanade Park, Protea Hotel by Marriott Walvis Bay Pelican Bay is renowned for dolphin's spotting and the abundance of majestic flamingos in its environs. Protea Hotel by Marriott Walvis Bay Pelican Bay needs to prepare its cash budget for the next three months. The following information is available.

Estimated sales	N\$
June	25 000
July	27 200
August	34 000
September	33 600
Estimated purchases	N\$
June	6 900
July	7 560
August	5 780
September	6 300

Additional information

- Direct wages amount to N\$13 000 per month and are paid in cash as they occur.
- Badger sells 20% of all goods on cash; the remainder of customers have one month of credit
- Suppliers are paid in the month after purchase.
- Overheads are N\$6 400 per month and Badger is allowed one month's credit on overheads. Depreciation of N\$6 000 is included in the amount of overheads.
- Selling, distribution and administrative costs are N\$3 780 per month and are paid in cash in the month in which they occur.
- Badger wishes to purchase a new vehicle in August with cash payment of N\$120 000.
- The cash balance for the end of June is expected to be N\$90 500.

REQUIRED:	MARKS
Prepare a cash budget of Protea Hotel by Marriott Walvis Bay Pelican Bay for the months of July to September.	20

END OF EXAMINATION QUESTION PAPER