NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF HOSPITALITY AND TOURISM

QUALIFICATION : BACHELOR OF HOSPITALITY MANAGEMENT	
QUALIFICATION CODE: 27BHMN	**LEVEL:** 7
COURSE CODE: FMH420S	**COURSE NAME:** FINANCIAL MANAGEMENT FOR HOSPITALITY AND TOURISM
SESSION: NOVEMBER 2018	**PAPER:** THEORY AND CALCULATIONS
DURATION: 3 HOURS	**MARKS:** 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
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MODERATOR	A. Makosa

INSTRUCTIONS
• Answer ALL the questions. • 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

1. Scientific calculators

THIS QUESTION PAPER CONSISTS OF _6_ PAGES (Including this front page)

QUESTION 1 **[25 MARKS]**

PART A **(10)**

For questions 1.1 – 1.10, write **ONLY** the letter that represents your answer. Do not copy the question

1.1 Which of the following are prime costs?

(i) Direct materials

(ii) Direct labour

(iii) Indirect labour

(iv) Indirect expenses

a) (i) and (ii)
b) (i) and (iii)
c) (ii) and (iii)
d) (ii) and (iv)

1.2 Which of the following could not be classified as a cost unit?

a) Ream of paper
b) Barrel of beer
c) Chargeable man-hour
d) Hospital

1.3 Which of the following could be a step fixed cost?

a) Direct material cost
b) Electricity cost to operate a packing machine
c) Depreciation cost of the packing machine
d) Depreciation cost of all packing machines in the factory

1.4 Which of the following would be classified as indirect labour?

a) Assembly workers in a car plant
b) Bricklayers in a building company
c) Stores assistants in a factory
d) An auditor in a firm of accountants

1.5 Which of the following would not be classified as a cost centre in a hotel?

a) Restaurant
b) Rooms
c) Bar
d) Meals served

1.6 The information below shows the number of calls made and the monthly telephone bill for the first quarter of the latest year:

Month	No. of calls	Cost (N$)
January	400	1 050
February	600	1 700
March	900	2 300

Using the high–low method the costs could be subdivided into:

a) Fixed cost N$50 Variable cost per call N$2.50
b) Fixed cost N$50 Variable cost per call N$25
c) Fixed cost N$25 Variable cost per call N$2.50
d) Fixed cost N$25 Variable cost per call N$25

1.7 The following data relate to two output levels of a department:

Machine hours	18 000	20 000
Overheads	N$380 000	N$390 000

The variable overhead rate was N$5 per hour. The amount of fixed overhead was

a) N$230 000
b) N$240 000
c) N$250 000
d) N$290 000

1.8 Fixed costs are conventionally deemed to be:

a) Constant per unit of output
b) Constant in total when production volume changes
c) Outside the control of management
d) Those unaffected by inflation

1.9 Which of the following correctly describes a step cost?

a) The total cost increases in steps as the level of inflation increases
b) The cost per unit increases in steps as the level of inflation increases
c) The cost per unit increases in steps as the level of activity increases
d) The total cost increases in steps as the level of activity increases

1.10 Which of the following pairs are the best examples of semi-variable costs?

a) Rent and rates
b) Labour and materials
c) Electricity and gas
d) Road fund licence and petrol

PART A **(15)**

a) Explain what agency problem is and why it exists between management and shareholders. (9)

b) Suggest and briefly describe any three (3) factors or solutions that will ensure that shareholders and management objectives are aligned. (6)

QUESTION 2 **[25 MARKS]**

Namibia Property Rentals (NPR) 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 and why? (2)

d) Identify any two conditions under which the Internal Rate of Return (IRR) and the NPV techniques may produce different results (2)

e) List any 2 advantages and 2 disadvantages of IRR (4)

QUESTION 3 **[25 Marks]**

The following information relates to NUST hotel school. The cash balance as at the beginning of March 2017 was N$27 000. The business has the following budgeted incomes and expenses:

Month	Cash Sales	Credit Sales	Purchases	Salaries	Fixed Overheads
	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]**

Orion computers Ltd manufactures power supplies for desktop computers. Below is the marginal costing statement of the company for April:

	N$
Sales (1 650 power supplies)	**825 000**
Less: Variable costs	495 000
Contribution	**330 000**
Less: Fixed costs	130 000
Net profit	**200 000**

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