



**PAMIBIA UNIVERSITY**  
OF SCIENCE AND TECHNOLOGY

**FACULTY OF COMMERCE, HUMAN SCIENCE AND EDUCATION**  
**DEPARTMENT OF ECONOMICS, ACCOUNTING & FINANCE**

<b>QUALIFICATION: BACHELOR OF HOSPITALITY MANAGEMENT (HONOURS)</b>	
<b>QUALIFICATION CODE: 08BHTH</b>	<b>LEVEL: 8</b>
<b>COURSE CODE: FMH810S</b>	<b>COURSE NAME: FINANCIAL MANAGEMENT: HOSPITALITY AND TOURISM</b>
<b>SESSION: JUNE 2024</b>	<b>PAPER: PRACTICAL AND THEORY</b>
<b>DURATION: 3 HOURS</b>	<b>MARKS: 100</b>

<b>FIRST OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINERS:</b>	H Kangala
<b>MODERATOR:</b>	A Okafor

<b>INSTRUCTIONS</b>	
<ul style="list-style-type: none"><li>• This question paper is made up of four (4) questions.</li><li>• Start each question on a new page.</li><li>• Answer All the questions in blue or black ink <b>only</b>.</li><li>• You are advised to pay due attention to expression and presentation. Failure to do so will cost you marks.</li><li>• Start each question on a new page in your answer booklet and show all your workings.</li><li>• Questions relating to this paper 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 and any assumption made by the candidate should be clearly stated.</li></ul>	

**PERMISSIBLE MATERIALS**

Non-programmable calculator

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

**Question 1**

**30 Marks**

**PART A**

**18 Marks**

Answer the following multiple-choice questions:

**INSTRUCTIONS: Please only write the question number and the letter for the correct answer option. For example: 20. A**

1. Which of the following has an influence on pricing decisions?
  - A. Customer demand
  - B. Actions of competitors
  - C. Government regulations
  - D. All of the above
  
2. What is the name of the practice of setting prices relatively low when introducing a new product to the market?
  - A. Predatory pricing
  - B. Skimming pricing
  - C. Cost-plus pricing
  - D. Penetration pricing
  
3. Sunday newspapers (in Britain, France, Thailand, Sweden) often contain numerous supplements (e.g., fashion, entertainment, property) to make the newspaper appear greater value for money. These are called: \_\_\_\_\_
  - A. Premium pricing.
  - B. Discount pricing.
  - C. Loss leader pricing
  - D. Price bundling.
  
4. These are costs which do not vary according to the number of units of product made or service sold:
  - A. Variable costs.
  - B. Working capital.
  - C. Fixed capital.
  - D. Fixed costs.

5. The type of pricing that occurs when companies temporarily reduce their prices below the standard price for a period to raise awareness of the offering to encourage trials and raise short-term brand awareness is known as?
- A. Relative price.
  - B. List pricing.
  - C. Loss-leader pricing.
  - D. Promotional pricing.
6. This allows us to determine how the quantity of an offering relates to the price at which it is offered:
- A. Price bundling.
  - B. Price elasticity.
  - C. Price inelasticity.
  - D. Price inflation.
7. The pricing approach where prices are set based on customers' perception of the product offering is called: \_\_\_\_\_
- A. Cost-oriented approach.
  - B. Value-oriented approach.
  - C. Competitor-oriented approach.
  - D. Demand-oriented approach.
8. When a 10% increase in price produces a 10% decrease (increase) in quantity demanded. This is referred to as:
- A. Elasticity of price.
  - B. Price elasticity of demand.
  - C. Demand elasticity of price.
  - D. Price and demand flexibility.

9. This pricing approach involves setting a high price for the product at initial introduction to make the product more accessible to the customers.
- A. Customer-centric pricing.
  - B. Price skimming.
  - C. Market penetration pricing.
  - D. Price scanning
10. The pricing approach where prices are set based on the amount spent on production is called the:
- A. demand-oriented approach.
  - B. cost-oriented approach.
  - C. competitor-oriented approach.
  - D. value-oriented approach.
11. What is the primary goal of financial management?
- A. To minimise the risk
  - B. To maximise the owner's wealth
  - C. To maximise the return
  - D. To raise profit
12. The finance manager is accountable for.
- A. Earning capital assets of the company
  - B. Arranging financial resources
  - C. Effective management of a fund
  - D. Proper utilisation of funds
13. Which of the following is concerned with the acquisition, financing, and management of assets with the business' overall goal in mind?
- A. Profit maximization.
  - B. Agency theory
  - C. Financial management
  - D. Social responsibility

14. Jensen and Meckling showed that \_\_\_\_\_ can assure themselves that the \_\_\_\_\_ will make optimal decisions if there are appropriate incentives are given.
- A. principals; agents
  - B. agents; principals.
  - C. principals; principals
  - D. agents; agents
15. Which of the following is concerned with the maximization of a firm's earnings after taxes?
- A. Profit maximization
  - B. Shareholder wealth maximization
  - C. Stakeholder maximization
  - D. Earnings Per Share maximization
16. Which of the following statements is correct regarding profit maximization as the primary goal of the firm?
- A. Profit maximization considers the firm's risk level.
  - B. Profit maximization will not lead to increasing short-term profits at the expense of lowering expected future profits.
  - C. Profit maximization does consider the impact on individual shareholder's Earnings Per Share.
  - D. Profit maximization is concerned more with maximizing net income than the stock price.
17. Which of the following is concerned with the branch of economics relating the behaviour of principals and their agents?
- A. Financial management
  - B. Profit maximization
  - C. Social responsibility
  - D. Agency theory



18. Which of the following is not included in working capital?

- a) Inventory
- b) Accounts payable
- c) Accounts receivable
- d) Rental income
- e) None of the above

**PART B**

**12 Marks**

1. Discuss any 2 elements of Financial Management

**4 Marks**

2. Consider the following characteristics:

**8 Marks**

- a) Long run focus
- b) Decisions show the direction that senior management want the organization to move towards.
- c) Short-term focus
- d) Connects the short-term to the long-term goals
- e) Example: enter a new business
- f) Coordinates the activities of different departments towards one goal
- g) User leans more on technical knowledge and skills
- h) Considers people skills and psychological factors to influence changed behaviour.
- i) Users can be guided by change in the environment and perceived threats and opportunities.

**Required:**

Using the format below, arrange the above characteristic accordingly as characteristics of:

***Strategy Formulation, Management Control or Task Control***

***Use the format:***

<b>Strategy Formulation</b>	<b>Management Control</b>	<b>Task Control</b>
<i>List numbering (letter) for the appropriate characteristic here</i>	<i>List numbering (letter) for the appropriate characteristic here</i>	<i>List numbering (letter) for the appropriate characteristic here</i>

**Question 2****25 Marks**

DX Lodges has savings of N\$30,000 that they are considering investing in one of these projects: **Project X**, which is aimed towards decorating accommodation chalets and **Project Y**, aimed at improving entertainment experience of the guests at DX Lodges.

Due to limited financial resources, the two projects are mutually exclusive, and DX Lodges cannot afford to invest in both projects. For this reason, this approached you for assistance in choosing the right project to invest in. The projects have the following projected cash flow streams. DX Lodges has a 12% cost of capital.

	Year 0	Year 1	Year 2	Year 3	Year 4
<b>Project X</b>	-30,000	18,000	8,000	6,000	9,000
<b>Project Y</b>	-30,000	15,000	13,000	8,000	8,000

**Required:**

- a) Use the NPV method to analyse each of these 2 projects **and** advise DX Lodges on the best alternative investment, if the 2 projects are mutually exclusive.

**15 Marks**

- b) Calculate the payback periods of each of the 2 projects **and** advise DX Lodges on the best alternative investment, if the 2 projects are mutually exclusive.

**6 Marks**

- c) Using their advantages and disadvantages, compare the NPV method to the Payback period method of investment appraisal.

**4 Marks**

**Question 3****23 Marks**

Brown Leatherx is a manufacturing company that produces leather products. The following information is extracted from the company financial statements for the year ended December 31, 2023:

1. The statement of profit or loss had the following details:

- Sales N\$2,500,000
- Cost of Goods Sold: N\$1,200,000
- Total operating Expenses: N\$500,000
- Depreciation Expense: N\$100,000
- Net Profit: N\$530,000

2. Statement of Financial Position Accounts Beginning and Ending Balances)

	<b>Balance at the beginning of financial Year N\$</b>	<b>Balance at the end of financial Year N\$</b>
Cash and cash equivalents	100,000	250,000
Accounts Receivable	200,000	250,000
Inventory	300,000	400,000
Accounts Payable	180,000	150,000
Long-Term Debt	400,000	300,000
Ordinary Share capital	500,000	500,000
Retained Earnings	300,000	380,000

**3. Additional Information:**

1. Dividends Paid: N\$50,000.
2. Brown Leatherx received an amount of N\$10,000 for dividends received.
3. Purchases of Machinery: N\$200,000.
4. Brown Leatherx sold a sewing machine for N\$20,000, paid into the business account. The sewing machine had a book value of N\$20,000.
5. Proceeds from an issue of a long-term Loan from X Bank: N\$100,000.
6. Cash Payments for Interest: N\$45,000.
7. Received N\$20,000 for interest received.
8. In 2023, Brown Leatherx paid N\$125,000 for taxes.

**Required:**

Prepare the cash flow statement for Brown Leatherx for the year ended December 31, 2023.



**Question 4****22 Marks**

MC Broadcasters provides video streaming services for entertainment in the Namibian market. The Broadcaster has different plans, catering to different demographics. The business is currently trying to improve the “Young G” plan, aimed towards catering to young professionals. Based on experience, the business ascertains that at a price of N\$60, annual demand is 25,000 units. However, for every N\$2 increase in selling price, demand is expected to fall by 200 units. MC estimates

MC Broadcasters provided you with the cost information below at production level of 25,000 units:

<b>Annual production (units)</b>	<b>25 000</b>
Total Variable Costs	N\$ 525 000
Fixed Overheads	N\$ 80 000

**Required:**

- a) Determine the equation for the demand function (that is, the price as a function of quantity demanded. If  $P = a - bx$ , then  $MR = a - 2bx$ ) **4 Marks**
- b) Determine the Marginal Cost (MC) **2 Marks**
- c) Find the quantity that maximises profit. **4 Marks**
- d) Calculate the optimum price **2 Mark**
- e) Compute the maximum profit **7 Marks**
- f) Explain what is meant by price elasticity of demand **3 Marks**

**END OF FIRST OPPORTUNITY EXAMINATION**

**Present Value Table**

Present value of 1 i.e.  $(1 + r)^{-n}$

Where  $r$  = discount rate  
 $n$  = number of periods until payment

Periods (n)	Discount rate (r)										
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909	1
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826	2
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751	3
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683	4
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621	5
6	0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.596	0.564	6
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513	7
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467	8
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424	9
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386	10
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350	11
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319	12
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290	13
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263	14
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239	15
(n)	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%	
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833	1
2	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694	2
3	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579	3
4	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482	4
5	0.593	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402	5
6	0.535	0.507	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335	6
7	0.482	0.452	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279	7
8	0.434	0.404	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233	8
9	0.391	0.361	0.333	0.308	0.284	0.263	0.243	0.225	0.209	0.194	9
10	0.352	0.322	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162	10
11	0.317	0.287	0.261	0.237	0.215	0.195	0.178	0.162	0.148	0.135	11
12	0.286	0.257	0.231	0.208	0.187	0.168	0.152	0.137	0.124	0.112	12
13	0.258	0.229	0.204	0.182	0.163	0.145	0.130	0.116	0.104	0.093	13
14	0.232	0.205	0.181	0.160	0.141	0.125	0.111	0.099	0.088	0.078	14
15	0.209	0.183	0.160	0.140	0.123	0.108	0.095	0.084	0.074	0.065	15