NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

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

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

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINERS:	H Kangala
MODERATOR:	A Okafor

INSTRUCTIONS

- This question paper is made up of four (4) questions.
- Start each question on a new page.
- Answer All the questions in blue or black ink **only.**
- You are advised to pay due attention to expression and presentation. Failure to do so will cost you marks.
- Start each question on a new page in your answer booklet and show all your workings.
- 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.

PERMISSIBLE MATERIALS

Non-programmable calculator

THIS QUESTION PAPER CONSISTS OF 3 PAGES (Excluding this front page)

Question 1 **25 Marks**

X Unlimited can sell 2,000 units of product X at the price of N$300. If the business increased its selling price to N$400, the demand would fall to 1,000 units. According to business records, product X has a variable cost of N$30 per unit and the business has monthly fixed costs of N$15 000 per month.

Requirement:

a) Using the price function, calculate the 'b' variable. **2 Marks**
b) Using the price function, calculate the 'a' variable. **3 Marks**
c) Use the above variables to write the price function of quantity demanded for Product X. **2 Marks**
d) Write down the marginal revenue function. **2 Marks**
e) How much is the marginal cost for Product X? **2 Marks**
f) Find the quantity that maximises profit. **3 Marks**
g) Calculate the price at the level that maximises profit. **3 Marks**
h) How much is maximum profit? **4 Marks**
i) Discuss the pricing strategie of price differentiation and premium pricing. **4 Marks**

Question 2 **15 Marks**

Gondwana Collection Namibia, is a hub of travel and safari in Namibia and also offers rental cars and accommodation (hotel, lodges, campsite and self-catering). One of the key responsibilities of management is to implement a new management control system (MCS) within the organisation towards incorporating technology into their operations and improving productivity. You are tasked to advise them on certain key areas that are needed to be done to successful execution.

Answer the following questions:

Required:

a) Explain the meaning of the term task control. **3 Marks**
b) Discuss any 2 elements of financial management. **4 Marks**
c) Give 4 key differences between strategy formulation and management control. **8 Marks**

Question 3 **10 Marks**

ABC Beverages manufactures and sells a popular soft drink brand called "Fizzy." Over the past few months, the marketing team at ABC Beverages has observed a decline in sales revenue for Fizzy. Concerned about this trend, the management team has tasked your department with conducting a thorough analysis to understand the factors contributing to the decline in sales.

The marketing team has provided you with the following data:

- At the normal Price of N$1.50 per can, the company sold a quantity of 10,000 cans per week.
- However, after a price increase to $1.80 per can, the quantity sold decreased to 8,000 cans per week.

Answer the following questions:

a) Use the above information to calculate the price elasticity of demand for Fizzy. **4 Marks**

b) Interpret Fizzy's price elasticity of demand. **2 Marks**

c) Name and explain 2 factors that may influence the price elasticity of demand for Fizzy. **4 Marks**

Question 4 **30 marks**

JJ Lodges is considering two projects. The projects are similar in nature and are expected both operate for four years. Due to the unavailability of funds to undertake both of them, only one project can be accepted. The cost of capital is 12%.

The following information is available:

	Expected Cashflows	
	Project A	**Project B**
	N$	**N$**
Initial investment	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 a straight-line basis.

Required:

Calculate the following for both projects:

a) The payback period (answer rounded off to one decimal place) **8 Marks**

b) The net present value (NPV). **8 Marks**

c) The accounting rate of return (ARR) on the initial investment (round off your answer to one decimal place). **4 Marks**

d) If the two projects are mutually exclusive, discuss which project should be chosen based on all three methods. **4 Marks**

e) List three advantages of the payback period and three advantages of accounting rate of return methods of capital appraisal. **6 Marks**

Show all your workings!

Question 5 **20 Marks**

The following information relate to the activities of ZEE Corporation for the year ended December 31, 2023:

ZEE Corporation is a manufacturing company that produces electronic devices. Over the course of the year, the company experienced the following various financial activities that impacted its cash flow.

1. At the beginning of the financial year, ZEE Corporation had a cash balance of $50,000.
2. The company generated a net profit of $100,000 from its operations.
3. ZEE Corporation recorded $20,000 in depreciation expense, which represents the allocation of the cost of its equipment over time.
4. Over the year, the company's accounts receivable increased by $10,000, indicating that more sales were made on credit during the year.
5. The company recorded interest expense of N$6,000 in the income statement for the year.
6. ZEE Corporation also invested $5,000 to increase its inventory levels and meet customer demands.
7. As a commitment to improve working capital, the company paid off $8,000 of its accounts payable, reducing its short-term liabilities.
8. Zee Corporation paid interest amounting to N$4,000 during the period
9. The company received interest of N$2,500 from XY Bank
10. ZEE Corporation invested $50,000 in purchasing new equipment to improve its manufacturing processes and expand production capacity.
11. The company generated $15,000 from the sale of certain investments it held.
12. ZEE Corporation raised $30,000 by issuing new ordinary shares to investors.
13. The company paid $20,000 in dividends to its shareholders.
14. Zee Corporation received N$5,000 in dividends

Required:

Prepare the cashflow statement for ZEE Corporation for the year ended December 31, 2023.

End of Second Opportunity Exam

Present Value Table

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

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

Discount rate (r)

Periods (n)	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