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: JULY 2023	PAPER: PRACTICAL AND THEORY
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINERS:	H Namwandi
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 5 PAGES (Including this front page)

Question 1   25 Marks

HS manufactures components for use in computers. The business operates in a highly competitive market where there are a large number of manufacturers of simial components. HS is considering its pricing strategy for the next twelve weeks for one of its components. The managing director seeks your advice to determine the selling price that will maximise the profit to be made during this period.

You have been given the following data:

Market Demand
The current selling price of the component is N$1 350 and at this price, the average weekly demand over the last four weeks has been 8 000 components. An analysis of the market shows that for every N$50 increase in selling price, the demand reduces by 1 000 components per week. Equally, for every N$50 reduction in selling price the demand increases by 1 000 components per week.

Costs
The direct material cost of each component is N$270. This price is part of a fixed-price contract with the material suppliers and the contract does not expire for another year.

Production labour and overheads costs and the corresponding output volumes have been collected for the last four weeks and they are as follows:

Week	Output volume (units)	N$
1	9 400	7 000 000
2	7 600	5 688 000
3	8 500	6 334 000
4	7 300	5 446 000

No significant changes in cost behaviour are expected over the next twelve weeks.

	REQUIRED:	Marks
(a)	Advise the management of HS Manufacturer Ltd on the optimum selling price that should be charged to customers in order to maximise profit.	(16)
(b)	List and explain to the managing director of HS manufacturing the different forms of financing that they can use to raise capital for the company.	(6)
(c)	Briefly explain what is agency theory.	(3)
Show all your workings!		
Total		**25**

Question 2   **15 Marks**

You have recently been appointed as an independent business adviser of Tropizone (Pty) Ltd, a company that designs and manufactures water bottles. Your appointment was made because Tropizone (Pty) Ltd has just been awarded a tender in January 2023 to be the official manufacturer of water bottles for the Namibia Wildlife Resorts (NWR). The water bottles will be handed out to all resorts during April 2023. This is part of a campaign to promote healthy habits amongst NWR customers. It might become an annual tender in future. Therefore, Tropizone (Pty) Ltd requires a business adviser expert to assist in the implementation of a good Management Control System (MCS) to ensure that they always win the tender.

The management of Tropizone (Pty) Ltd informed you that at the moment the organisation does not have any strategic management control system in place regarding the effective running of the tender process. Management of Tropizone (Pty) Ltd wants a control system put in place to ensure that everyone working in the organisation carries out the organisation's objectives and strategies.

REQUIRED:		Marks
(a)	List and explain to the management of Tropizone (Pty) Ltd the different elements of the control system. Also, give a key example of **each** element related to the tender that they are undertaking.	(12)
(b)	List three factors that influence the management control system	(3)
Total		**15**

Question 3   **30 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. A 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 a cash payment of N$120 000.
- The cash balance for the end of June is expected to be N$90 500.

REQUIRED:		Marks
(a)	Prepare a cash budget for Protea Hotel by Marriott Walvis Bay Pelican Bay for the months of July to September.	(25)
(b)	List other fives types of budgets apart from the cash budget that an organisation in the production sector may need to prepare.	(5)
Show all your workings!		
Total		30

Question 4   **30 Marks**

CNC Ltd is currently studying the investment possibilities of a proposed project. The project will be for a period of eight years and will require investment in a specific machine which has a purchase price of N$1 600 000. The machine has an eight-year lifespan, after which it will have an estimated salvage value of N$240 000. The company requires a minimum rate of return of 18% on all new projects.

It is further estimated that the project will yield a gross income of N$400 000 per year, calculated as follows:

	N$
Sales	3 000 000
Less Cost of goods sold (excluding depreciation)	2 600 000
Gross cash income	400 000

REQUIRED:		Marks
Compute the following with regard to the project:		
(a)	The annual net profit.	(3)
(b)	The net present value. Also, make a recommendation on whether the project is acceptable or not.	(7)
(c)	The internal rate of return. Interpolate to one decimal place.	(7)
(d)	The payback period. State whether the project is acceptable if the company requires a maximum payback period of three years.	(3)
(e)	The discounted payback period. (Round answers to two decimals)	(8)
(f)	The accounting rate of return on average investment.	(2)
Show all your workings!		
Total		**30**

THE END

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