



PANIPIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF HOSPITALITY AND TOURISM

QUALIFICATION: BACHELOR OF HOSPITALITY AND TOURISM MANAGEMENT HONOURS	
QUALIFICATION CODE: 08BHTH	LEVEL: 8
COURSE CODE: FMH810S	COURSE NAME: FINANCIAL MANAGEMENT IN HOSPITALITY AND TOURISM
SESSION: JULY 2022	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER	L. Odada
MODERATOR	A. Okafor

<p style="text-align: center;">INSTRUCTIONS</p> <ol style="list-style-type: none">1. Answer ALL the questions in blue or black ink only. NO PENCIL.2. Start each question on a new page, number the answers correctly and clearly.3. Write clearly, neatly and show all your workings/assumptions.4. Work with four (4) decimal places in all your calculations and only round off only final answers to two (2) decimal places unless otherwise stated.5. Questions relating to this examination may be raised in the initial 30 minutes after the start of the examination. Thereafter, candidates must use their initiative to deal with any perceived error or ambiguities and any assumptions made by the candidate should be clearly stated.
--

PERMISSIBLE MATERIALS

1. Silent, non-programmable calculators

THIS QUESTION PAPER CONSISTS OF 4 PAGES (excluding this front page and tables)

QUESTION 1**[25 MARKS]**

Namcool Ltd is a cooling and refrigeration company that supplies and installs refrigerators and air conditioners. Due to increased competition, the company is experiencing a reduction in its return on equity and the directors are worried that the company may fail to attract additional capital if the current trend continues. In order to boost sales, the marketing director has planned to engage into an aggressive sales promotion to increase the company's profits. The following relates to the following year's performance after the aggressive sales promotion.

Operating income (EBIT)	N\$2 400 000
Sales revenue	N\$16 000 000
Asset turn over	1.6 times
Interest	N\$400 000
Total debt	N\$5 000 000

The company's income tax rate is 30% and the current year's return on equity is 20%.

REQUIRED: Calculate the following ratios (indicate your formulas)		MARKS
a)	Net Profit Margin	3
b)	Return on Assets	4
c)	Debt to Equity ratio	4
d)	Gearing (leverage) ratio	3
e)	Times interest earned	3

QUESTION 2**[25 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.	25

QUESTION 3

[25 MARKS]

The board of directors of the Namibian Engineering Company is considering the profitability of a new product investment. The marketing manager has estimated that at a price of N\$20 per unit, the following sales can be anticipated for the product.

2019	40 000 units
2020	60 000 units
2021	60 000 units
2022	50 000 units

As technology is changing rapidly the product cannot be assumed to have more than a four-year life. Variable costs, mostly labour and material costs, would be about N\$12 per unit. Fixed costs such as the production supervisor's salary, would be about N\$150 000 per annum. The manufacture of the product would require an investment in equipment of N\$600 000. The equipment will have no salvage

value at the end of the life of the project. The company's policy is to depreciate all equipment at 25 percent per annum straight line. The after-tax cost of capital for the company is 12 percent.

REQUIRED:		MARKS
a)	Determine the after-tax annual cash flows generated by the investment.	16
b)	Compute the Net Present Value of the project.	7
c)	Is this project worthwhile or not? Justify your answer	2

QUESTION 4

[25 MARKS]

Netflix is the world's leading streaming entertainment service with over 209 million subscribers in over 190 countries (July 2021). Netflix started in 1997 as a DVD mail rental business. In 2007, the company shifted its business model and decided to go digital with the introduction of streaming media. Customers can now access a wide range of movies, TV series, and original Netflix content for an affordable, no-commitment monthly fee.

Netflix is considering launching a new, innovative product onto the Namibian market and is trying to decide on the right launch price for the product. The product's expected life is three years. Given the high level of costs which have been incurred in developing the product, Netflix wants to ensure that it sets its price at the right level and has therefore consulted a market research company to help it do this. The research, which relates to similar but not identical products launched by other companies, has revealed that at a price of N\$60, annual demand would be expected to be 250 000 units. However, for every N\$2 increase in selling price, demand would be expected to fall by 2 000 units and for every N\$2 decrease in selling price, demand would be expected to increase by 2 000 units.

A forecast of the annual production costs which would be incurred by Netflix in relation to the new product are as follows:

Annual production (units)	200 000	250 000	300 000	350 000
	N\$	N\$	N\$	N\$
Direct material	2 400 000	3 000 000	3 600 000	4 200 000
Direct labour	1 200 000	1 500 000	1 800 000	2 100 000
Overheads	1 400 000	1 550 000	1 700 000	1 850 000

REQUIRED	MARKS
Determine the optimum (profit maximising) selling price for the new product AND calculate the resulting profit for the period. Note: If $P = a - bx$, then $MR = a - 2bx$.	25

END OF EXAMINATION QUESTION PAPER

TABLE A

Future value interest factor of \$1 per period at i% for n periods, FVIF(i,n).																				
Period	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	1.010	1.020	1.030	1.040	1.050	1.060	1.070	1.080	1.090	1.100	1.110	1.120	1.130	1.140	1.150	1.160	1.170	1.180	1.190	1.200
2	1.020	1.040	1.061	1.082	1.103	1.124	1.145	1.166	1.188	1.210	1.232	1.254	1.277	1.300	1.323	1.346	1.369	1.392	1.416	1.440
3	1.030	1.061	1.093	1.125	1.158	1.191	1.225	1.260	1.295	1.331	1.368	1.405	1.443	1.482	1.521	1.561	1.602	1.643	1.685	1.728
4	1.041	1.082	1.126	1.170	1.216	1.262	1.311	1.360	1.412	1.464	1.518	1.574	1.630	1.689	1.749	1.811	1.874	1.939	2.005	2.074
5	1.051	1.104	1.159	1.217	1.276	1.338	1.403	1.469	1.539	1.611	1.685	1.762	1.842	1.925	2.011	2.100	2.192	2.288	2.386	2.488
6	1.062	1.126	1.194	1.265	1.340	1.419	1.501	1.587	1.677	1.772	1.870	1.974	2.082	2.195	2.313	2.436	2.565	2.700	2.840	2.986
7	1.072	1.149	1.230	1.316	1.407	1.504	1.606	1.714	1.828	1.949	2.076	2.211	2.353	2.502	2.660	2.826	3.001	3.185	3.379	3.583
8	1.083	1.172	1.267	1.369	1.477	1.594	1.718	1.851	1.993	2.144	2.305	2.476	2.658	2.853	3.059	3.278	3.511	3.759	4.021	4.300
9	1.094	1.195	1.305	1.423	1.551	1.689	1.838	1.999	2.172	2.358	2.558	2.773	3.004	3.252	3.518	3.803	4.108	4.435	4.785	5.160
10	1.105	1.219	1.344	1.480	1.629	1.791	1.967	2.159	2.367	2.594	2.839	3.106	3.395	3.707	4.046	4.411	4.807	5.234	5.695	6.192
11	1.116	1.243	1.384	1.539	1.710	1.898	2.105	2.332	2.580	2.853	3.152	3.479	3.836	4.226	4.652	5.117	5.624	6.176	6.777	7.430
12	1.127	1.268	1.426	1.601	1.796	2.012	2.252	2.518	2.813	3.138	3.498	3.896	4.335	4.818	5.350	5.936	6.580	7.288	8.064	8.916
13	1.138	1.294	1.469	1.665	1.886	2.133	2.410	2.720	3.066	3.452	3.883	4.363	4.898	5.492	6.153	6.886	7.699	8.599	9.596	10.699
14	1.149	1.319	1.513	1.732	1.980	2.261	2.579	2.937	3.342	3.797	4.310	4.887	5.535	6.261	7.076	7.988	9.007	10.147	11.420	12.839
15	1.161	1.346	1.558	1.801	2.079	2.397	2.759	3.172	3.642	4.177	4.785	5.474	6.254	7.138	8.137	9.266	10.539	11.974	13.590	15.407
16	1.173	1.373	1.605	1.873	2.183	2.540	2.952	3.426	3.970	4.595	5.311	6.130	7.067	8.137	9.358	10.748	12.330	14.129	16.172	18.488
17	1.184	1.400	1.653	1.948	2.292	2.693	3.159	3.700	4.328	5.054	5.895	6.866	7.986	9.276	10.761	12.468	14.426	16.672	19.244	22.186
18	1.196	1.428	1.702	2.026	2.407	2.854	3.380	3.996	4.717	5.560	6.544	7.690	9.024	10.575	12.375	14.463	16.879	19.673	22.901	26.623
19	1.208	1.457	1.754	2.107	2.527	3.026	3.617	4.316	5.142	6.116	7.263	8.613	10.197	12.056	14.232	16.777	19.748	23.214	27.252	31.948
20	1.220	1.486	1.806	2.191	2.653	3.207	3.870	4.661	5.604	6.727	8.062	9.646	11.523	13.743	16.367	19.461	23.106	27.393	32.429	38.338
25	1.282	1.641	2.094	2.666	3.386	4.292	5.427	6.848	8.623	10.835	13.585	17.000	21.231	26.462	32.919	40.874	50.658	62.669	77.388	95.396
30	1.348	1.811	2.427	3.243	4.322	5.743	7.612	10.063	13.268	17.449	22.892	29.960	39.116	50.950	66.212	85.850	111.065	143.371	184.675	237.376
35	1.417	2.000	2.814	3.946	5.516	7.686	10.677	14.785	20.414	28.102	38.575	52.800	72.069	98.100	133.176	180.314	243.503	327.997	440.701	590.668
40	1.489	2.208	3.262	4.801	7.040	10.286	14.974	21.725	31.409	45.259	65.001	93.051	132.782	188.884	267.864	378.721	533.869	750.378	1,051.668	1,469.772
50	1.645	2.692	4.384	7.107	11.467	18.420	29.457	46.902	74.358	117.391	184.565	289.002	450.736	700.233	1,083.657	1,670.704	2,566.215	3,927.357	5,988.914	9,100.438

TABLE B

Present value interest factor of \$1 per period at i% for n periods, PVIF(i,n).																				
Period	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621	0.593	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402
6	0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.596	0.564	0.535	0.507	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513	0.482	0.452	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467	0.434	0.404	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424	0.391	0.361	0.333	0.308	0.284	0.263	0.243	0.225	0.209	0.194
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386	0.352	0.322	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350	0.317	0.287	0.261	0.237	0.215	0.195	0.178	0.162	0.148	0.135
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319	0.286	0.257	0.231	0.208	0.187	0.168	0.152	0.137	0.124	0.112
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290	0.258	0.229	0.204	0.182	0.163	0.145	0.130	0.116	0.104	0.093
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263	0.232	0.205	0.181	0.160	0.141	0.125	0.111	0.099	0.088	0.078
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239	0.209	0.183	0.160	0.140	0.123	0.108	0.095	0.084	0.074	0.065
16	0.853	0.728	0.623	0.534	0.458	0.394	0.339	0.292	0.252	0.218	0.188	0.163	0.141	0.123	0.107	0.093	0.081	0.071	0.062	0.054
17	0.844	0.714	0.605	0.513	0.436	0.371	0.317	0.270	0.231	0.198	0.170	0.146	0.125	0.108	0.093	0.080	0.069	0.060	0.052	0.045
18	0.836	0.700	0.587	0.494	0.416	0.350	0.296	0.250	0.212	0.180	0.153	0.130	0.111	0.095	0.081	0.069	0.059	0.051	0.044	0.038
19	0.828	0.686	0.570	0.475	0.396	0.331	0.277	0.232	0.194	0.164	0.138	0.116	0.098	0.083	0.070	0.060	0.051	0.043	0.037	0.031
20	0.820	0.673	0.554	0.456	0.377	0.312	0.258	0.215	0.178	0.149	0.124	0.104	0.087	0.073	0.061	0.051	0.043	0.037	0.031	0.026
25	0.780	0.610	0.478	0.375	0.295	0.233	0.184	0.146	0.116	0.092	0.074	0.059	0.047	0.038	0.030	0.024	0.020	0.016	0.013	0.010
30	0.742	0.552	0.412	0.308	0.231	0.174	0.131	0.099	0.075	0.057	0.044	0.033	0.026	0.020	0.015	0.012	0.009	0.007	0.005	0.004
35	0.706	0.500	0.355	0.253	0.181	0.130	0.094	0.068	0.049	0.036	0.026	0.019	0.014	0.010	0.008	0.006	0.004	0.003	0.002	0.002
40	0.672	0.453	0.307	0.208	0.142	0.097	0.067	0.046	0.032	0.022	0.015	0.011	0.008	0.005	0.004	0.003	0.002	0.001	0.001	0.001
50	0.608	0.372	0.228	0.141	0.087	0.054	0.034	0.021	0.013	0.009	0.005	0.003	0.002	0.001	0.001	0.001	0.000	0.000	0.000	0.000



NAMIBIA
UNIVERSITY
OF SCIENCE AND
TECHNOLOGY

P/Bag 13388
Windhoek
NAMIBIA

2022 -05- 09

M. M. M. M. M.
RECEIVED

HOD: ACCOUNTING,
ECONOMICS AND FINANCE