



# **MURANG'A UNIVERSITY OF TECHNOLOGY**

## **SCHOOL OF HOSPITALITY AND TOURISM MANAGEMENT**

**DEPARTMENT OF HOSPITALITY MANAGEMENT**

**UNIVERSITY ORDINARY EXAMINATION**

**2020/2021 ACADEMIC YEAR**

**SECOND YEAR SECOND SEMESTER EXAMINATION FOR DIPLOMA IN  
HOSPITALITY MANAGEMENT**

**DHM066 – FINANCIAL ACCOUNTING IN HOSPITALITY**

**DURATION: 2 HOURS**

**Instructions to candidates:**

1. Answer question One and Any Other Two questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

**SECTION A: ANSWER ALL QUESTIONS IN THIS SECTION**

**QUESTION ONE (30 MARKS)**

a) Explain the meaning of the following terms as applied in accounting: (10 marks)

- i. Drawings
- ii. Non-current assets
- iii. Owners' equity
- iv. Journal
- v. Petty cash

b) Explain THREE accounting concepts. (6 marks)

c) The following transactions relate to Bandari café for the month of December 2020.

- Dec 1 Balance brought forward:
  - Cash in hand Sh 10,500
  - Cash at bank Sh 216,400
- Dec 1 Received cash from Tom Sh 35,900
- Dec 2 Bought kitchen equipment Sh 124,000 from Makutano traders paying by cheque
- Dec 3 Withdrew Sh 50,000 from the bank for business use
- Dec 4 Paid travelling expenses Sh 6,900 by cash
- Dec 5 Received Sh 35,000 from a debtor, James
- Dec 6 Paid wages Sh 34,000 by cheque
- Dec 7 Received Sh 46,000 from Mary

Prepare a two column cashbook. (10 marks)

d) Given the following information, determine the capital: (4 marks)

	Sh
Buildings	200,000
Bank loan	700,000
Inventory	290,000
Bank overdraft	150,000
Accounts receivable	480,000
Rent payable	310,000
Equipment	250,000
Cash in hand	40,000
capital	?

**SECTION B – ANSWER ANY TWO QUESTIONS IN THIS SECTION**

**QUESTION TWO (20 MARKS)**

- a) Name FOUR uses of financial statements and explain clearly why they need the statements. (8 marks)
- b) The following is the trial balance for J. Smiles as at 31<sup>st</sup> December 2020. Draw up the trading, profit and loss account. (12 marks)

	Dr	Cr
Stock 1 <sup>st</sup> Jan 2020	18,160	
Sales		92,340
Purchases	69,185	
Carriage inwards	420	
Carriage outwards	1,570	
Returns outwards		6,400
Wages and salaries	10,240	
Rent and rates	3,015	
Communication expenses	624	
Commissions payable	216	
Insurance	405	
Sundry expenses	318	
Buildings	20,000	
Debtors	14,320	
Creditors		8,160
Fixtures	2,800	
Cash at bank	2,970	
Cash in hand	115	
Drawings	7,620	
Capital		50,888
	152,028	152,028

Stock as at 31<sup>st</sup> Dec 2020 was valued at Sh.22,390.

**QUESTION THREE (20 MARKS)**

Write up the following transactions in the books of ZAKA traders and extract a trial balance. (20 marks)

- Aug 1 Started business with £1,000 cash
- Aug 2 Paid £900 of the opening cash into the bank
- Aug 4 Bought goods on credit £78 from S. Holmes
- Aug 5 Bought a van by cheque £500
- Aug 7 Bought goods for cash £55
- Aug 10 Sold goods on credit £98 to D. Moore
- Aug 12 Returned goods to S. Holmes £18
- Aug 19 Sold goods for cash £28
- Aug 22 Bought fixtures on credit from Kingstone equipment Co £150
- Aug 24 D. Watson lent us £100 paying us the money by cheque
- Aug 29 We paid S. Holmes his account by cheque £60
- Aug 31 We paid Kingstone equipment Co by cheque £150

**QUESTION FOUR (20 MARKS)**

- a) Fill in the blank spaces. (3 marks)

CAPITAL(Shs)	ASSETS(Shs)	LIABILITIES(Shs)
600,000	-	280,000
-	1,200,000	530,000
490,000	760,000	-

- b) Describe THREE types of errors which would not affect the trial balance totals. (6 marks)
- c) A motor vehicle costs £6,400. It will be kept for five years and then sold for scrap for £200. Calculate the depreciation for the vehicle using reducing balance method. (5 marks)
- d) Highlight THREE reasons for calculating profit in a hotel. (3 marks)
- e) Describe THREE ledgers used in accounting. (3 marks)