

SIR ARTHUR LEWIS COMMUNITY COLLEGE

Division of Technical Education & Management Studies

FINAL EXAMINATION

Examination Session : May 2001
Tutors : Mr Nat B Goolaman
Programme title : Hospitality Studies (Year 2)
Programme Code :
Course Title : Introduction to Hotel Accounting
Course Code : ACC323
Classes : Hospitality Studies (Year 2)
Date of Examination : May 10th, 2001
Time of Examination : 9:00 am
Duration : 3 hours
Room : DHS Room 2
Invigilator : Mr N Goolaman



#A10

Instructions

This examination contains Two Sections:

Section I: Multiple Choice : Answer all questions. Choose the alpha character that corresponds with the most appropriate response for each item, and shade it on the answer sheet provided.

Section II: This Section contains five (5) questions. You are required to Answer Any Three (3) complete question from this section. Each question is worth 10 marks.

You are provided with an answer sheet for Section I and the required forms for section II
Do not waste undue time on any question.

You are permitted to use calculators during the examination.

Section I:

Part A

Multiple Choice item numbers 1 to 35 are independent questions:

1. Which of the following is Incorrect about Drawings as it relates to Accounting?
 - a. Decreases capital
 - b. Contra account to capital
 - c. Money taken for owner's private use.
 - d. Drawings increases assets.
2. Which of the following is correct for a sole trader?
 - a. Profit does not alter capital
 - b. Profit increases capital
 - c. Profit decreases capital
 - d. Profit is the only source of capital
3. Which of the following discounts is NOT recorded in the books of accounts?
 - a. Trade
 - b. Cash
 - c. Settlement
 - d. Sales
4. Which of the following best describes the trial balance?
 - a. Prepared to show the financial position of the business.
 - b. A special summary account in the general ledger.
 - c. A listing of all the outstanding balances in the general ledger at a certain date.
 - d. A statement showing all the entries made in the general ledger for a fiscal period.
5. A credit balance in the Profit and Loss A/c at the end of the accounting period represents
 - a. The cash balance
 - b. The net profit
 - c. The net loss
 - d. The bank balance
6. The Balance Sheet is prepared to show
 - a. Assets and Liabilities
 - b. Projected income & Expenses
 - c. The changes in financial position
 - d. The recurrent costs
7. Fixed assets are best defined as
 - a. Manufacturing Equipment
 - b. Items bought to be used in the business.
 - c. Capital items bought for business use
 - d. Items purchased at a fixed price.
8. Current assets are best defined as
 - a. Electrical materials.
 - b. Chequeing accounts
 - c. Items which are easily liquidated
 - d. Items presently being used in the business.
9. The main book of accounts in the business is called
 - a. The General Ledger
 - b. The General Journal
 - c. The Cheque Book
 - d. The Balance Sheet
10. The individual creditors accounts are found in
 - a. The Purchases Journal
 - b. The General Ledger
 - c. The Purchases Ledger
 - d. The Sales Ledger
11. The external claims on the economic resources of the business are called
 - a. Capital
 - b. Liabilities
 - c. Assets -
 - d. Owners' Equity
12. Which of the following gives a correct definition of the double entry system:
 - a. Every account has two entries.
 - b. Every transaction is recorded twice.
 - c. Every transaction affects at least two accounts.
 - d. Every two entries are recorded in the same account.
13. When balancing the cash book, a credit balance in the cash account indicates
 - a. an overdraft
 - b. an error
 - c. a loss
 - d. dishonoured cheques
14. A firm or person who owes money to you is your
 - a. Creditor
 - b. Debtor
 - c. Agent
 - d. Partner

15. The account which discloses the gross profit of the business is called the
 a. Profit & Loss Account b. Appropriation Account
 c. Trading Account d. Cost of Sales Account
16. Expenses that are due but not yet paid are referred to as
 a. Accruals b. Deferrals c. Bad Debts d. Income
17. A reduction in the cost of purchases given by the seller to encourage bulk buying of a product or to enable the buyer to make a profit is a _____ discount
 a. Cash b. Sales c. Trade d. Purchase
18. "Assets are recorded in the books of the business at their historic prices which serves as the basis for assessing their future usage."
 The above statement refers to the _____ concept
 a. Accrual b. Cost c. Business entity d. Going concern
19. "The business will continue to operate for an indefinitely long period of time, unless the opposite is known."
 The above statement refers to the _____ concept.
 a. Accrual b. Cost c. Business entity d. Going concern
20. "All expenses incurred (whether paid or not) must be matched against all the revenues earned (whether received or not) in the same accounting period in order to determine the true profit/loss of the business for that period."
 The above statement describes the _____ concept.
 a. Accrual b. Cost c. Business entity d. Going concern
21. "The financial affairs of a business must be kept separate and apart from that of the owner for accounting purposes."
 This statement describes the
 a. Accrual b. Cost c. Business entity d. Going concern
22. Costs incurred by a business which will continue to influence the profit-making capacity of the business for a long period of time are known as
 a. Trading expenses b. Capital expenditure
 c. Revenue expenditure d. deferred expenditure
23. The excess of current assets over current liabilities is referred to as
 a. Capital employed b. Working capital c. Capital invested d. Capital gains
24. Costs incurred by a business which will only temporarily influence the profit-making capacity of the business are known as _____ expenditure.
 a. Trading b. Capital c. Revenue d. deferred
25. Depreciation is best defined as
 a. The amount spent by a business to buy an asset which will be used in the business for a long time.
 b. The estimated value of the a fixed asset at the end of its estimated life.
 c. The part of the cost of a fixed asset consumed during a period of its use by the firm.
 d. The amount of money the firm must put aside for the replacement of a fixed asset.
26. An invoice is a document made out to give details on
 a. an overcharge b. returned goods c. a stock loss d. goods sold
27. The minimum number of subscribers required to form a limited company in St Lucia is
 a. One b. Two c. Twenty d. Fifty
28. Which of the following may be regarded as a capital expenditure for a business:
 a. Working Capital loan b. Purchase of Office Equipment.
 c. Mortgage loan Interest d. Additional Cash Investment into the business

29. According to the provisions of the Partnership Act (1890), profits and losses must be shared
- in the ratio of capital contributed by the partners.
 - according to each partner's level of responsibility in the firm.
 - equally.
 - according to some prescribed ratio agreed upon by the partners.
30. The maximum number of partners allowed in a partnership business in most of the commonwealth countries is
- Two
 - Seven
 - Ten
 - Twenty
31. Parts of ownership in a limited company is referred to as
- Debentures
 - Snares
 - Interest
 - Dividend
32. Energy costs associated with the cooking of food is shown on the
- Schedule of energy costs
 - Schedule of fixed charges
 - Cost of sales report
 - F&B Departmental income Statement
33. The tax code "310M" means that a person
- Is entitled to \$310 tax free allowance per month
 - Is entitled to \$31,000 tax free allowance per year
 - Is required to pay \$310 PAYE tax per month
 - Has a taxable income of \$310 per month.
34. The financial ratio most frequently used to measure the ability of a business to meet its short term debts is called _____ ratio
- Current
 - Price earnings
 - ROI
 - Gearing
35. Which of the following is considered as loan capital
- Ordinary shares
 - Preference shares
 - Debentures
 - All the above

Part B

CASE STUDY 1

Consider the following document carefully:

<i>Swift Wholesale</i>			
Express Road Stockport K3K-2P2			
NO. 37251			
Sold To: Tevin Trading Company 222 Star Road Bloomingdale M4M-3T4		Date: Sept 25, 1993 Your Order No: TT14429 Terms: 3/10,1/20N30	
<u>Qty</u>	<u>Description</u>	<u>Unit Cost</u>	<u>Total</u>
600 Sheets	R64 Polythane	\$5.00	3,000.00
200 Rolls	T56 Black Tape	2.00	400.00
			3,400.00
	Less 25% Trade Discount		850.00
			2,250.00
	Add Sales Tax 10%		225.00
			<u>2,475.00</u>
Prepared by..... Approved by Received by.....			

The buyer made out a cheque for a payment on October 5 to reduce the balance to \$1,100; a second cheque was paid on October 15 to reduce the balance to \$400, and a cheque for the remaining balance on October 30.

Required:

Answer the following multiple choice questions (36 - 50), related to the above case, on the answer sheet provided:

36. The document displayed in the case above is a/an
 - a. Statement
 - b. Invoice
 - c. Promissory Note
 - d. Debit Note
37. The creditor company is
 - a. Swift Wholesale
 - b. Tevin Trading
 - c. Swift & Tevin
 - d. Unknown
38. The debtor is
 - a. Swift Wholesale
 - b. Tevin Trading
 - c. Swift & Tevin
 - d. Unknown
39. The number of the document shown in the case is
 - a. 37251
 - b. TT14429
 - c. K3K-2P2
 - d. M4M-3T4
40. The total amount due for payment by the buyer is
 - a. \$3,400
 - b. \$ 850
 - c. \$2,250
 - d. \$2,475
41. The Sales Tax must be ultimately remitted to the
 - a. Supplier
 - b. Inland Revenue Dept
 - c. Tevin Trading
 - d. The Customer
42. The amount of the cheque paid by the buyer on October 5 is
 - a. \$1,333.75
 - b. \$1,375.00
 - c. \$1,361.25
 - d. \$1,100.00
43. The amount of the cheque paid by the buyer on October 15 is
 - a. \$400
 - b. \$679
 - c. \$700
 - d. \$693
44. The amount of the final cheque paid by the buyer to settle the account is
 - a. \$396
 - b. \$400
 - c. 388
 - d. 975
45. If the account was settled in full on October 15 the amount of the cheque would be
 - a. \$2400.75
 - b. \$2475.00
 - c. \$2450.25
 - d. \$2422.75
46. If the account was settled in full on October 30, the amount of the cheque would be
 - a. \$2400.75
 - b. 2475.00
 - c. \$2450.25
 - d. \$2422.75
47. If the account was settled on October 5, the amount of the cheque is
 - a. \$2400.75
 - b. 2475.00
 - c. \$2450.25
 - d. \$2422.75
48. The total amount of cash discount received by the buyer according to the payment plan outlined in the case is
 - a. \$850
 - b. \$48.25
 - c. \$24.75
 - d. \$74.25
49. The total amount of Trade Discount received by Tevin Trading Company:
 - a. \$850
 - b. \$48.25
 - c. \$24.75
 - d. \$74.25
50. The Terms: 3/10,1/20N30 means
 - a. \$3 discount if paid within 10 days, \$1 discount if paid within 20 days, and the buyer has a net of 30 days to pay.
 - b. 3% discount if paid on October 10, 1% discount if paid on October 20, and the buyer has until October 30 to pay.
 - c. 4% discount if paid within 30 days.
 - d. 3% discount if paid within 10 days, 1% discount if paid within 20 days, and the buyer has a net of 30 days to pay.

Part C

CASE STUDY 2

The following are the statistics from a popular resort's Daily Report for 30 April 2001:

Rooms Capacity.....200	Income per bed	Actual	Budget
Rooms Occupied.....160	Room Sales.....	\$90.00	\$100.00
Rooms Out Of Order.....10	Food Sales.....	60.00	75.00
Beds Capacity.....300	Beverage Sales.....	65.00	60.00
No. of Guests.....315	Other Revenue.....	30.00	35.00
No. of Arrivals.....100 (45 Rooms)			
No. of Departures..... 80 (40 Rooms)			
Budgeted Occupancy... 90%			

The following multiple choice items (51 to 64) are related to case study 2 above:

51. The occupancy rate for 30 April 2001 was
 a. 84% b. 80% c. 70% d. 90%
52. The total house count for 30 April 2001 was
 a. 315 b. 450 c. 405 d. 160
53. The number of rooms available for the night of 30 April 2001 was
 a. 40 b. 30 c. 25 d. 35
54. The total number of rooms occupied on the night of 29 April 2001 was
 a. 190 b. 185 c. 160 d. 155
55. The % room occupancy for 30 April 2001 was
 a. 80% b. 84% c. 70% d. 90%
56. The total room revenue for 30 April 2001 was
 a. \$40,500 b. \$36,450 c. \$28,350 d. \$31,500
57. The total food revenue for 30 April 2001 was
 a. \$18,900 b. \$23,625 c. \$10,400 d. \$12,000
58. The average room revenue per room for 30 April 2001 was
 a. \$152 b. \$177.19 c. \$170 d. \$196.88
59. The total actual income for 30 April 2001 was
 a. \$99,225 b. \$85,050 c. \$109,350 d. \$77,175
60. The total Budgeted income for 30 April 2001 was
 a. \$99,225 b. \$85,050 c. \$109,350 d. \$77,175
61. The budget variance for room sales was
 a. \$12,150 U b. \$12,150 F c. \$11,250 U d. \$11,250 F
62. The total income budget variance for 30 April 2001 was
 a. \$24,300 U b. \$7875 U c. \$ 0 d. \$32,175 U
63. The total occupancy (no. of guests) for the previous day was
 a. 405 b. 315 c. 295 d. 450
64. If the Reservations Forecast shows 120 arrivals and 105 departures for 1 May 2001, what is the expected house count for the night 1 May 2001?
 a. 330 b. 315 c. 300 d. 405

Part D

CASE 3

Questions 65 - 71 are based on the following case study:

You are provided with the following information:

Total Sales, \$25,000; Raw Materials used, \$3,000; Manufacturing Wages, \$2,000; Royalties, \$500; Factory Supervisors' wages, \$1,500; Other Factory Overhead, \$1,000; Variable Selling Expenses, \$2,500; Variable Administration Expenses, \$3,000; Fixed Selling Expenses, \$1,800; Fixed Administration Expenses, \$1,300. No inventories.

65. The conversion cost for the production process is
a. \$8,000 b. \$5,000 c. \$5,500 d. \$8,600
66. The Prime cost of the production process is
a. \$8,000 b. \$5,000 c. \$5,500 d. \$8,600
67. The total cost of production is
a. \$8,000 b. \$5,000 c. \$5,500 d. \$8,600
68. The total of the Direct Expenses (variable cost) is
a. \$11,000 b. \$10,500 c. \$5,500 d. \$12,500
69. Total of the Indirect Expenses (fixed cost) is
a. \$0 b. \$6,100 c. \$3,100 d. \$5,600
70. Net profit is
a. \$17,000 b. \$8,400 c. \$16,400 d. \$25,000
71. If 7,000 units of the finished product were produced, the Break Even Point in units is
a. 2,363 b. 2,800 c. 5,500 d. 7,000

Section II

Answer any three (3) questions from this section. There are five questions altogether.

Question 1

Mr Grite Tayst is the chef at Bon Gout Passi. He has hired you to prepare his accounting statements and provides you with the following information for the period ended 31 March 1998:

Total Sales for the period \$300,500; Opening stock of raw materials (food) \$38,500; Direct Purchases for the period \$28,360; Other raw materials Purchases \$77,440; Closing stock of raw materials \$35,550; Kitchen workers wages \$29,600; Lighting & Heating expenses \$4,000; Insurance for kitchen workers \$2,250; Porter's wages \$750; Kitchen supervisor's salary \$2,500; Royalties paid to Ms Mary Mayker for use of her special recipe \$1,000; Opening stock of Food-in-process \$5,600; Closing Stock of Food-in-Process \$6,200. Left over food is discarded.

Prepare a Statement, in good style, to show the cost of food prepared during the period. Form is provided.

Question 2.

The following is the Cash Book for E. Flynn for the month ended 31 March 1998;

<u>1998</u>			<u>1998</u>		
March 6	J Hall	155	March 1	Balance B/F	3,872
20	C Walters	189	10	P Wood	206
31	P Miller	211	19	M Roberts	315
31	Balance B/F	<u>3,922</u>	29	P Phillips	<u>84</u>
		<u>4,477</u>			<u>4,477</u>

The Bank Statement for the month is:

<u>1998</u>		Dr	Cr	Balance
March 1	Balance B/F			3,872 O/D
6	Counter Credit		155	3,717 O/D
13	P Wood	206		3,923 O/D
20	Counter Credit		189	3,734 O/D
22	M Roberts	315		4,049 O/D
30	Merchantile: S/O	200		4,249 O/D
31	K Saunders, Tr Cr		180	4,069 O/D
31	Bank Charges	65		4,134 O/D

Required:

- (a) Write the cash book up to date taking the necessary items into account.
- (b) Draw up a Bank Reconciliation Statement as at 31 March 1998.

Question 3

Use the information that follow to prepare the pay slip and the journal entries to record the pay information for Mr James Booth for the fortnight ended 30 April 2001.

- i Personal Data:
Deductions: Fortnightly: Loan \$80; U/dues \$10; Insurance \$40; Other \$24.
Statutory: NIS: 5% of the dollar amount of gross pay, to a maximum deduction of \$250 per month.
PAYE: Based on an annual tax allowance of \$13,500.
- ii Wage Structure:
Basic: \$400 per week for 40-hour week.
Overtime is paid at 1 ½ times the regular rate.
- iii Number of hours worked for the fortnight: 112

Note, use the tax formula to determine amount of PAYE tax. Use the form provided.

Question 4

Complete the attached Daily Revenue Report, using the following information:

Opening Receivables \$625,000; Room Sales \$354,000; Adjustments on Rooms \$9,440; Food Sales \$247,800; Adjustment to Food Sales, \$14,160; Beverage Sales \$177,000; Adjustments on Beverage Sales \$7,080; Telephone Sales \$67,500; Laundry \$8,000; Sale of Golf Balls \$4,100; Sale of T-Shirts \$10,300; Bank Deposit \$565,800; Amount credited by bank \$585,600; Deposit from Credit Card Co. \$254,000; Closing Receivables \$643,220.

Note that the adjusted Rooms, Food & Beverage Sales include 10% Service Charge and 8% Tax; the Telephone Sales include 50% Service charge.

Question 5

Using the following information for the week ended 8 May 2001, complete the cost report given below:

	\$
Food Sales: Main Restaurant	12,000
H/Bird Restaurant	80,000
Pool restaurant	40,000
Staff Meals at retail included in food sales	10,800
Stock spoilage	900
Opening Kitchen Stock	56,200
Transfers from Bar	1,868
Requisitions from Stores	87,600
Direct Purchases	12,600
Transfers to Bar	400
Food for Staff Party at cost	4,000
Closing Kitchen Stock	47,800
Budgeted Food Cost	40%
Budgeted Food revenue for month of May is \$150,000 (five week month)	

Form for Question 1 (Section 2)

Title _____

Sales	_____	_____
<u>Cost of Raw Materials Used:</u>		
_____	_____	
_____	_____	
_____	_____	
Total cost of R/M available	_____	
Closing Stock of R/M	_____	
Cost of R/M used		_____
<u>Direct Labour:</u>		
_____		_____
<u>Direct Expenses:</u>		
_____		_____
Prime Cost		_____
<u>Overhead Costs:</u>		
_____	_____	
_____	_____	
_____	_____	
_____	_____	
_____	_____	
Total Overhead Costs		_____
Total Cost of Production		_____
Opening Stock of Food in Process		_____
Closing Stock of Food in Process		_____
Cost of Production of Completed goods		_____
Gross Profit on Food Sales		_____

Form for Question 2:

Revised Cash Book

Bank Reconciliation Statement

Balance as per Bank Statement			_____
Deposits not credited:	_____	_____	
	_____	_____	
Cheques not presented:	_____	_____	_____
	_____	_____	
	_____	_____	_____
Balance as per Revised Cash Book			_____

Form for Question 3

EMP NAME	BASIC PAY	O/T PAY	GROSS PAY	NIS	PAYE	LOAN	INS	UNION DUES	OTHER	TL DED	NET PAY
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____

THE HIBISCUS RESORT

Daily Revenue Report

Date: 01/05/
Day: Monday
Day No. 1

Account	Today	Period To Date	Budget
Net Room Sales			300,000
Net Food Sales			205,000
Net Beverage Sales			120,000
Other Rev. Tel Cost			10,000
Tel S/Ch			5,000
Laundry			5,000
Misc			4,200
Pro on Exch			25,000
TI Other Revenue			
Gross Revenue			
TI Service Charge			
TI Tax			
Opening Receivables			625,000
Total			
Bank Deposit			
Profit on Exchange			
Other Deposits: Cr. Tr			
Closing Receivables			
Total			

Form For Question 5

Food Cost Report
For Week Ended 8 Sept 1994

<u>Revenue:</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Food Sales.....	_____		
Less Staff Meals at Retail..	_____		
Net Food Revenue.....	_____	_____	_____
 <u>Cost:</u>			
Opening Stock	_____		
Requisitions	_____		
Direct Purchases..	_____		
Transfers from Bar	_____		
Total Food available.	_____		
Less Closing Stock.....	_____		
Total Food Consumed...	_____		
Less Credits:			
Staff Meals at cost	_____		
_____	_____		
_____	_____		
_____	_____		
Total Credit.....	_____		
Net food Cost.....	_____	_____	_____
Gross Profit.....	_____	_____	_____
Food Cost percentage.....	_____	30%	_____%