

SIR ARTHUR LEWIS COMMUNITY COLLEGE
DIVISION OF TECHNICAL EDUCATION AND MANAGEMENT STUDIES

EXAMINATION SESSION : December 2007 Examination
TUTOR (S) : Mr. N. Goolaman
PROGRAMME TITLE : Applied Arts – Business Administration
PROGRAMME CODE : 3BS-ABA-AD
COURSE TITLE : Hospitality Accounting
COURSE CODE : ACC125
CLASS (ES) : Year 2's
DATE : 14th December, 2007
COMMENCEMENT TIME : 9:00 a.m.
DURATION : 3 Hours
INVIGILATOR (S) : Mrs. A. Reid, Ms. B. Dwarikasingh
Mrs. D. Alfred, Ms. S. Meliat
ROOM (S) : HOS R1, HOS R2

#A957

INSTRUCTIONS:

This Examination consists of two (2) sections.

Section I : Multiple Choice

Section II : Question 1 is Compulsory.

: Answer *any four (4)* other questions from this section.

- Please number your responses accurately
- All cell phones must be turned off during the Examination
- **Note:** Bags, books as well as writing paper not given by the invigilator should be deposited at the front of the examination room or as otherwise indicated.
- Students must sign **IN** and **OUT** on the exam class list

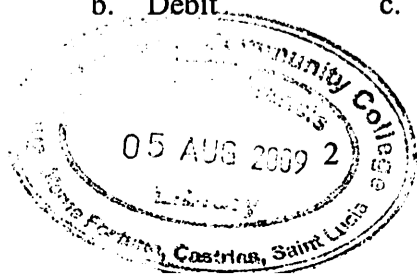


GOOD LUCK!!

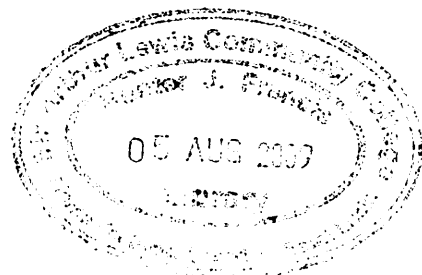
Section I

Answer the following multiple choice questions by circling the alpha character corresponding to the most appropriate response. Multiple choice items 1 to 35 are independent and 36 to 40 are based on the case 1. Use the answer sheet provided.

1. Costs that do not fluctuate in direct response to changes in volume of business are known as _____ costs.
a. Budgeted b. Direct c. Fixed d. Variable
2. The price for each part of ownership quoted on the document certifying the ownership in a limited company is known as
a. Premium b. Book Value c. Market Value d. Par Value
3. A business owned by a minimum of 2 and a maximum of 20 subscribers is known as a/an
a. Public Ltd. Co. b. Co-operative c. Private Ltd. Co. d. Partnership
4. The excess of the net value of the economic resources of a business over the external liabilities is known as:
a. Net Income b. Net Worth c. Total Deficit d. Net Surplus
5. In the books of a limited company, "Share Premium" is classified as _____ Reserve.
a. Capital b. Revenue c. Investment d. Replacement
6. Gross profit shown as a percentage of Cost Price is referred to as
a. Markup b. R.O.I. c. Turnover d. Margin
7. A margin of 20% is equivalent to a markup of
a. 25% b. 16 2/3% c. 20% d. 80%
8. Which one of the financing centres listed below is classified as "Share Capital with a fixed rate of return"?
a. Preference Share Capital b. Ordinary Shares Capital
c. Debenture Capital d. Working Capital
9. The costs that continue to influence the profit making capacity of the business for a long period of time are known as _____ Expenditure.
a. Recurrent b. Revenue c. Budgeted d. Capital
10. The costs that only temporarily influence the profit making capacity of the business are known as _____ Expenditure.
a. Recurrent b. Revenue c. Budgeted d. Capital
11. The undistributed part of the profits kept by a limited company is called _____ Profits.
a. Business b. Net c. After-Tax d. Retained Profits
12. A card which authorizes the purchase of goods and services on account up to a specified limit is known as a/an _____ Card
a. ATM b. Debit c. Credit d. Discount
13. The first company to introduce the "Gold Card" concept is the
a. Discover Card Company b. Diners' Club
c. Visa/Master card Company d. American Express Company
14. A card which authorizes the seller of goods/services to effect an immediate direct transfer of funds from the buyer's bank account to that of the seller with respect to the amount of goods/services purchased is called a/an _____ Card.
a. Discount b. Debit c. Credit d. Loyalty



15. A statement showing the Assets, Liabilities and Owners' Equity of a business at the end of an accounting period is called a/an
- a. Income Statement
 - b. Capital Budget
 - c. Balance Sheet
 - d. Cash Flow Statement
16. A statement prepared to determine the Cost of Production of finished goods for one Accounting Period is known as
- a. Standard Cost Report
 - b. A Cost Variance Report
 - c. Cash Flow Statement
 - d. Manufacturing Statement
17. The statement of projected Income and Expenses is referred to as a/an
- a. Budget
 - b. Income Statement
 - c. Operating Cost Report
 - d. Cash Flow Statement
18. A fixed sum of money entrusted to an employee for change-making purposes is referred to as a (an)
- a. Cash Float
 - b. Gift
 - c. Advance
 - d. Wage
19. The price at which parts of ownership of a limited company is traded is known as
- a. Premium
 - b. Book Value
 - c. Market Value
 - d. Par Value
20. The legal document issued to a person declaring him/her a part owner in a limited company is called a
- a. Shareholder's Receipt
 - b. A shareholder's Register
 - c. A Shareholder's Credit Note
 - d. Share Certificate
21. The document which the founding members of a company issue to the Registrar of Companies in order to effect the registration of the company is referred to as a/an
- a. Certificate of Intent
 - b. Corporate Charter
 - c. Shareholding Certificate
 - d. Corporate Register
22. Which of the following is a major advantage of using a credit card?
- a. The credit card holder may dispute suspect charges
 - b. It provides low interest credit
 - c. It is quicker than cash
 - d. It eliminates the need for money
23. A major disadvantage of using credit cards for the purchase of goods/services is
- a. You have no recourse for the purchase of unsatisfactory goods/services
 - b. The seller must seek approval
 - c. The interest rate is very high
 - d. It is high risk
24. "Chargebacks" on credit card accounts are regarded as
- a. Reversal of interest charges on the cardholder's account
 - b. Reversal of payments made to the card holder
 - c. Reversal of payments made on behalf of the card holder
 - d. Reversal of late payment fees
25. "Chargebacks" may result from
- a. Duplicated Charges
 - b. Disputed Charges
 - c. Invalid card charges
 - d. All the above
 - e. None of the above
26. Late Payment fees on a credit card results from
- a. the "after-hours" use of your credit card
 - b. late installment payments
 - c. the unauthorized use of your credit card
 - d. identity theft



27. The goods held in a warehouse for future sale are called
a. Inventory b. Fixed Asset c. Revenue d. Cost of Sales
28. Costs that fluctuate directly with changes in volume of business are known as ____ costs
a. Fixed b. Variance c. Direct d. Variable
29. The activity level at which total revenue is equal to total cost is called the
a. Relevant Range b. Break Even Point c. Maximum Level d. Capacity Level
30. The estimated time between the date of an order and the receipt of the goods is called
a. Lead Time b. Order Time c. Shipping Time d. Idle Time
31. The excess of total revenue over variable costs is referred to as
a. Net Profit b. Gross Profit c. Contribution Margin d. Income
32. The Registrar of Companies acts on behalf of the
a. all limited liability companies b. the Government
c. only local companies d. the very rich and the truly famous
33. The "Debenture holders" of a Limited Company are regarded as
a. Debtors b. Creditors c. Aid Donors d. Shareholders
34. The rate of return paid to the owners of a limited company out of the profits is known as
a. Expense b. Shares c. Interest d. Dividend
35. Which of the following statements is NOT prepared to determine profit?
a. Income Statement b. Purchase of Business Account
c. Income & expenditure Account d. Bank Reconciliation Statement

Questions 36 to 40 are related to the following case 1:

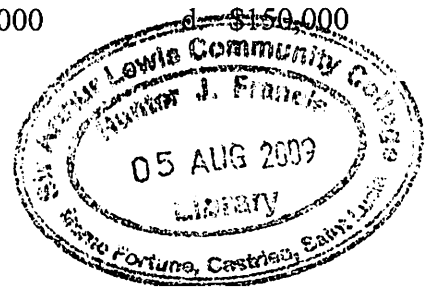
CASE STUDY 1

A limited company is permitted by the Registrar of Companies to issue 200,000 ordinary parts of ownership at \$1.00 each to the public. The company initially sold 60,000 of those parts of ownership at \$2.50 each.

36. The above transaction involving the sale of the parts of ownership is a/an _____ transaction.
a. Illegal b. Issue of shares c. Unfair d. Unethical
37. The amount of capital the company is authorized to raise is
a. \$200,000 b. \$400,000 c. \$60,000 d. \$150,000
38. The amount of the company's Owners' Equity at this time is
a. \$200,000 b. \$400,000 c. \$60,000 d. \$150,000
39. The par value of each of the company's shares is
a. \$2.00 b. \$60,000 c. \$1.00 d. \$150,000
40. The balance of the company's Share Capital account after the sale of the parts of ownership is
a. \$200,000 b. \$400,000 c. \$60,000 d. \$150,000

Bonus Questions

41. The balance of the company's Premium account in Case 1 above is currently
a. \$250,000 b. \$90,000 c. \$60,000 d. \$150,000



42. The members of the strategic management team of a Limited Company are referred to as
a. Partners b. Shareholders c. Directors d. Administrators



Section II

You are required to answer Question 1 and any four (4) other complete questions from this section:

Question 1: (20 marks)

Given the following Balance Sheets of the Triumphant Trio Inc., prepare a cash flow statement for the year ended 31st December 2002:

	<u>2001</u>		<u>2002</u>
Land & Buildings	\$180,000		\$ 170,000
Furniture/Equipment	\$ 88,000		\$103,000
Less: Prov for Depreciation	<u>25,000</u>	<u>63,000</u>	<u>34,000</u>
	243,000		239,000
<u>Current assets</u>			
Stock	76,200		84,400
Debtors	\$ 62,900	\$ 55,500	
less provision for B/D	<u>980</u>	<u>61,920</u>	<u>2,285</u>
Fixed Deposit	-		30,000
Bank	<u>15,000</u>	<u>153,120</u>	<u>28,500</u>
	<u>396,120</u>		<u>435,115</u>
<u>Current liabilities</u>			
Proposed dividends	15,500		22,500
Taxation	8,000		10,500
Creditors	<u>72,500</u>	<u>80,045</u>	
	96,000		113,045
Mortgages	114,000		35,000
10% Debentures	<u>50,000</u>	<u>70,000</u>	
	164,000		105,000
Ordinary Share capital	100,000		120,000
Preference Share Capital	-		25,000
Share Premium	5,000		9,000
General Reserve	15,000		28,000
P & L a/c	<u>16,120</u>	<u>35,070</u>	
	<u>136,120</u>		<u>217,070</u>
	<u>396,120</u>		<u>435,115</u>

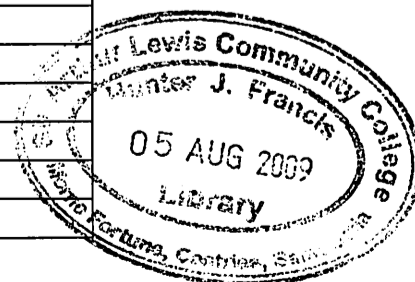
A piece of equipment costing \$15,000 which had depreciated \$9,000 was sold for \$8,000 during the year, and a new piece of equipment costing \$30,000 was purchased. *Use the form provided.*

Question 2: (10 marks)

The following information was extracted from the books of BOLDER Ltd for the year 2004: 75,000 Ordinary Shares, \$150,000; 10,000 - 12% Preference Shares, \$50,000; Mortgages, \$40,000; 10% Debentures, \$20,000; Premium on Preference Shares, \$5,000; Retained Earnings, \$12,500; General Reserves \$7,500; Opening Stock \$22,500; Closing Stock \$34,500; Debtors \$24,500; Bank O/D \$4,500; Creditors \$15,600; Accruals \$3,000; Sales, \$250,000; Gross Margin 40%; Expenses are 10 % of Total Revenue; Shares trade at \$2.50.

Complete the following table using the information given for BOLDER Ltd:

Required	Answer
Gross Profit for the year	
Cost of Sales for the year	
Current Ratio	
The Firm's Capital Gearing Ratio	
Par Value of Preference Shares	
Stock Turnover Ratio	
Average Debt Collection Period	
Earnings per share	
Price Earnings ratio	
Returns on Capital Employed	



Question 3: (10 marks)

You are provided with the following statistics from Comfort Villas' Daily Report for 30 June 2005:

		<u>Income per Bed</u>	
		<u>Actual</u>	<u>Budget</u>
Rooms Capacity.....	300		
Rooms Occupied.....	240	Room Sales.....\$120.00	\$150.00
Rooms Out Of Order.....	15	Food Sales.....	60.00 75.00
Beds Capacity.....	650	Beverage Sales.....	70.00 60.00
No. of Guests.....	455	Other Revenue.....	30.00 35.00
No. of Arrivals.....	110 (50 Rooms)		
No. of Departures.....	90 (45 Rooms)		
Budgeted Occupancy...	90%		

Complete the following table using the information given above for Comfort Villas :

<u>Required</u>	<u>Answer</u>
Occupancy rate for 30 th June	
Number of rooms available for night of 30 th June	
%age room occupancy for 30 th June	
Occupancy rate for 29 th June	
Total Budgeted Revenue for 30 th June	
Total Actual Revenue for 30 th June	
Total Income Budget Variance for 30 th June	
Average Actual Room Revenue per room for 30 th June	
The Expected house count for 30 th June	
What is the expected daily occupancy	

Question 4: (10 marks)

Micha and Deja are in partnership with the following agreement:

- i. Profits and losses are shared in the ratio of 3 : 2 respectively.
- ii. Micha is entitled to a salary of \$25,000 and Deja is entitled to a salary of \$20,000.
- iii. The partners are entitled to interest on capital of 10% of their capital accounts.
- iv. The partners are also required to pay 12% interest5 on their drawings.

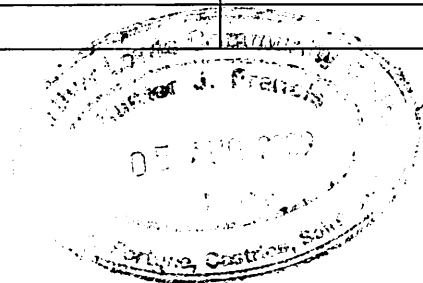
The following balances are extracted from the books of the partnership on June 30th 2004:

	Micha	Deja
Capital	\$50,000	\$40,000
Drawings	15,000	10,000

Complete the following schedules:

(a)

<u>Micha & Daja Partnership</u>			
<u>Profit & Loss Appropriation Account</u>			
	<u>Micha</u>	<u>Deja</u>	<u>Total</u>
Net Profit			125,000



Micha & Daja Partnership			
Schedule of Current Accounts			
	Micha	Deja	Total
Opening Balance	6,000	5,000	

Question 4: (10 Marks)

The following financial data are extracted from the books of Sexy Seven Fashions Inc. n November 30th, 2007:

Premises (cost \$800,000), \$695,000; Furniture & Equipment (cost \$ 75,000), \$59,000; Debtors \$105,000; Provision for Bad Debts \$1,050; Creditors \$135,000; Prepayments \$15,500; Accruals \$4,800;

Share Capital: Authorized: Ordinary shares 200,000 at \$2;
 50,000 – 8% preference shares at \$5;
 Issued & fully paid: Ordinary shares 150,000 at \$3.00 and
 Preference Shares 20,000 at \$5.50

12% Debentures, \$60,000; Mortgages \$ 34,500 ;
 Proposed Dividend: Preference share dividend and 10% on Ordinary shares.
 General Reserves \$12,000; Assets Replacement Reserves \$15,000; Taxation Payable \$18,500;
 Retained Profits \$81,550, Bank 80,900; Cash \$5,000.

You are required to prepare the Balance Sheet for the Sexy Seven Fashions in vertical style, showing the Working Capital.



Question 6: (10 marks)

Use the following information to complete the simplified “Operating Cost Report” for a reputable 4-Star Operation for 3rd November 2007:

- i. Summary of report for 2nd November 2007:
 Occupancy to date 750 guest nights
 Food Cost to date \$65,800; Beverage Cost to date \$52,400; repairs & maintenance cost to date \$25,700; fuel consumption to date \$10,800.

- ii. Extract from annual Budget:
 Annual budget is based on 146,000 bed nights.
 Annual Food cost budget \$3,650,000
 Annual Beverage cost budget \$4,380,000
 Annual Repairs & maintenance Budget \$1,460,000
 Annual fuel cost \$438,000

- iii. Actual data from activities for 3rd November 2007:
 Occupancy today: 325
 Food consumption today \$10,200
 Beverage consumption today \$12,400
 Repairs & Maintenance requisitions \$4,500, and Work orders \$1,500
 Fuel consumption was 2500 units at \$1.85 per unit.

Cost Item	Actual		Budget To date	Cost Variance To Date	Actual cost per guest per day (to date)
Food Cost					
Beverage Cost					
Repairs & Maintenance cost					
Fuel Cost					

1	Cash flow from Operating Activities		
	Net Profit		
2.	Cash flow from Investing Activities		
3	Cash flow from Financing Activities		
4	Cash flow from Servicing of Finance		
5	Taxation paid		
	Net Cash Inflow/(Outflow)		
	Reconciliation		
	Closing Bal of Cash & Cash Equivalents		
	Opening Bal of Cash & Cash Equivalents		
	Net Increase/(Decrease) in Cash & Cash Equivalents		

End of Examination

