

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

EXAMINATION SESSION : December 2008 Examination
TUTOR (S) : Mr. N. Goolaman
PROGRAMME TITLE : Hospitality Studies
PROGRAMME CODE : 3HS-HOS-AD
COURSE TITLE : Hospitality Accounting
COURSE CODE : ACC125
CLASS (ES) : Year Two
DATE : Friday 5th December, 2008
COMMENCEMENT TIME : 9:00 a.m.
DURATION : _ Hours
INVIGILATOR(S) : Mrs. A. Spurway, Ms. F. Paul
Ms. N. Mathurin, Mrs. L. Ollivierre
ROOM(S) : HOS-1R-01, HOS-9R-01

#A34



INSTRUCTIONS:

This examination paper consists of two (2) sections;

Section I - Multiple Choice questions.

Section II - Question 1 is compulsory and answer any other four (4) compulsory questions.

- ◆ Students are advised to use a pen to write this examination
- ◆ Write your ID Number on *each* answer sheet
- ◆ 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 examination class list

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. 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
2. 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
3. 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
4. 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
5. 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
6. 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 Sharer's Credit Note
 - d. Share Certificate
7. 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
8. 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
9. 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
10. "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
11. "Chargebacks" may result from
 - a. Duplicated Charges
 - b. Disputed Charges
 - c. Invalid card charges
 - d. All the above
 - e. None of the above

12. Late Payment fees on a credit card results from
 - a. the “after-hours” use of your credit card
 - b. arrears in the installment payments
 - c. the unauthorized use of your credit card
 - d. identity theft
13. The goods held in a warehouse for future sale are called
 - a. Inventory
 - b. Fixed Asset
 - c. Revenue
 - d. Cost of Sales
14. Costs that fluctuate directly with changes in volume of business are known as ____ costs
 - a. Fixed
 - b. Variance
 - c. Direct
 - d. Variable
15. 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
16. 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
17. The excess of total revenue over variable costs is referred to as
 - a. Net Profit
 - b. Gross Profit
 - c. Contribution Margin
 - d. Income
18. 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
19. 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
20. 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
21. 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
22. In the books of a limited company, “Share Premium” is classified as _____ Reserve.
 - a. Capital
 - b. Revenue
 - c. Investment
 - d. Replacement
23. Gross profit shown as a percentage of Cost Price is referred to as
 - a. Markup
 - b. R.O.I.
 - c. Turnover
 - d. Margin
24. A margin of 25% is equivalent to a markup of
 - a. 25%
 - b. 20%
 - c. 33 1/3%
 - d. 75%
25. Which one of the financing centres listed below is classified as “Share Capital with a fixed rate of return”?
 - a. Preferred Stocks
 - b. Common Stocks
 - c. Debenture Capital
 - d. Bonds
26. 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
27. 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
28. The undistributed part of the profits kept by a limited company is called _____ Profits.
 - a. Business
 - b. Net
 - c. After-Tax
 - d. Retained Profits

29. 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
30. 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
31. 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
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 \$2.00 each to the public. The company initially sold 150,000 of those parts of ownership at \$3.00 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. \$300,000 d. \$450,000
38. The amount of the company’s Owners’ Equity at this time is
 a. \$200,000 b. \$400,000 c. \$300,000 d. \$450,000
39. The par value of each of the company’s shares is
 a. \$2.00 b. \$1.00 c. \$3.00 d. unknown
40. The Closing Balance of the company’s Share Capital Account after the sale of the parts of ownership is
 a. \$200,000 b. \$400,000 c. \$300,000 d. \$450,000

Bonus Questions

41. The balance of the company’s Premium account in Case 1 above is currently
 a. \$200,000 b. \$400,000 c. \$300,000 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 Barrac's Incorporated., prepare a cash flow statement for the year ended 31st December 2008:

	<u>2007</u>		<u>2008</u>
Land & Buildings	\$200,000		\$ 180,000
Furniture/Equipment	\$ 88,000		\$110,000
Less: Prov for Depreciation	<u>28,000</u>	<u>60,000</u>	<u>35,000</u>
	260,000		255,000
<u>Current assets</u>			
Stock	78,200		84,800
Debtors	\$ 66,900		\$ 55,500
less provision for B/D	<u>900</u>	<u>66,000</u>	<u>2,000</u>
Fixed Deposit	30,000		50,000
Bank	<u>10,000</u>	<u>184,200</u>	<u>38,500</u>
	444,200		481,800
<u>Current liabilities</u>			
Proposed dividends	16,500		22,500
Taxation	8,000		9,500
Creditors	<u>82,500</u>		<u>86,045</u>
	107,000		118,045
Mortgages	124,000		55,000
10% Debentures	<u>60,000</u>	<u>70,000</u>	<u>70,000</u>
	184,000		125,000
Ordinary Share capital	110,000		140,000
Preference Share Capital	15,000		35,000
Share Premium	6,000		9,000
General Reserve	10,000		28,000
P & L a/c	<u>12,200</u>	<u>26,755</u>	<u>26,755</u>
	153,200		238,755
	<u>444,200</u>		<u>481,800</u>

A piece of equipment costing \$20,000 which had depreciated \$12,000 was sold for \$8,000 during the year, and a new piece of equipment costing \$42,000 was purchased. Use the form provided.

Question 2 (10 marks)

The following information was extracted from the books of Ophilia's Inc 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 Ophilia's Inc:

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 Bay View Sports Resort's Daily Report for 30 June 2005:

		<u>Actual</u>	<u>Income per Bed</u> <u>Budget</u>
Rooms Capacity.	400		
Rooms Occupied.....	320	Room Sales.....\$110.00	\$120.00
Rooms Out Of Order.....	10	Food Sales.....	60.00 50.00
Beds Capacity.....	850	Beverage Sales.....	70.00 60.00
No. of Guests.....	629	Other Revenue.....	30.00 35.00
No. of Arrivals.....	120 (52 Rooms)		
No. of Departures.....	90 (44 Rooms)		
Budgeted Occupancy...	90%		

Complete the following table using the information given above for Bay View Sports Resort:

Required	Answer
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/budgeted 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% interest 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)

Micha & Daja Partnership			
Profit & Loss Appropriation Account			
	<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 7

The following balances were extracted from the books of Innovations Inc at 30 June 2007:

Opening Inventory: Raw Materials \$56,500; Work in Progress \$12,000;
Finished Goods \$75,600.

Purchases of Raw Materials \$126,250; Royalties \$20,000;

Wages: Manufacturing Wages \$106,900; Factory Supervisor's Salary \$48,000; Factory
Porters' Wages 6,000.

Factory light/Heat \$3,600; Factory Rent \$24,000.

Closing Inventory: Raw Materials \$45,700; Work In Progress \$16,550;
Finished Goods \$62,100

Prepare the Manufacturing Statement for Innovations Inc for the Period ended 30 June 2007, and show the Unit cost of production of Finished Goods if 100,000 units were produced.

(Use the form provided).

