

2802/201
HOSPITALITY ACCOUNTING
AND LAW
June/ July 2016
Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL
DIPLOMA IN FOOD AND BEVERAGE MANAGEMENT

HOSPITALITY ACCOUNTING AND LAW

3 hours

INSTRUCTIONS TO CANDIDATES

*You should have an answer booklet for this examination.
This question paper consists of TWO sections; A and B.
Answer question ONE and any other TWO questions from Section A.
Answer question FIVE and any other FOUR questions from Section B.
Candidates should answer the questions in English.*

This paper consists of 5 printed pages.

Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.

SECTION A: LAW (40 marks)

Answer question 1 and any other TWO questions from this section.

1. (a) Differentiate between a partnership and a company. (4 marks)
 - (b) (i) Define a contract. (2 marks)
 - (ii) Identify **two** types of contracts. (2 marks)
 - (c) (i) Illustrate structure of the Kenyan Judiciary. (2 marks)
 - (ii) State the composition of the Supreme court of Kenya. (2 marks)
 - (d) Explain **four** sources of Kenyan Law. (4 marks)
 - (e) (i) State the **three** types of liquor licences in Kenya. (3 marks)
 - (ii) Identify **two** members of liquor licensing courts. (1 mark)
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2. (a) Explain the meaning of a tort. (2 marks)
 - (b) (i) Explain the **two** forms of the tort of defamation. (4 marks)
 - (ii) State **four** defects of common law. (4 marks)
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3. (a) Outline the reasons why parliament delegates its legislation function. (4 marks)
 - (b) Discuss the various elements of a valid contract. (6 marks)
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4. (a) The tourism Act has mandated the tourism ministry to formulate the Kenyan tourism strategy. Highlight the role of the national tourism strategy in Kenya. (6 marks)
 - (b) Identify **four** bodies created by the Tourism Act under the ministry of Tourism and their role in Kenya. (4 marks)

SECTION B: HOSPITALITY ACCOUNTING (60 marks)

Answer question 5 and any other **FOUR** questions from this section.

5. (a) Explain the **two** types of transactions that a business engages in. (4 marks)
- (b) State the books of original entry for each of the following transactions:
- (i) Bought a motor vehicle on credit. (1 mark)
- (ii) Sold goods on credit to a customer. (1 mark)
- (iii) Returned purchased goods to a supplier. (1 mark)
- (iv) Withdrew cash from bank for business use. (1 mark)
- (c) Differentiate between Assets and Liabilities and give **two** examples of each. (4 marks)
- (d) Outline the procedure for balancing an account. (4 marks)
- (e) Explain the purpose of each of the following financial statements:
- (i) Income statement. (2 marks)
- (ii) Balance sheet. (2 marks)
6. (a) The following balances and transactions were extracted from the purchases ledger of Kamili Hotel for the month of June 2016.

	Sh
Balances as at 1.6.2016: Debit	94,000
Credit	4,490,000
Transactions: Purchases on credit	21,460,000
Allowances from suppliers	906,200
Cheque payments to suppliers	17,204,000
Cash payments to suppliers	4,106,200
Set - offs	413,400
Discounts received	1,702,000
Returns outwards	460,000
Balance as at 30.6.2016: Debit	712,000

Prepare the purchases ledger control account for Kamili Hotel for the month of June 2016. (10 marks)

7. The opening capital of Kula Vizuri Restaurant was Ksh 1,340,600 on 1.1.2016. The following balances of Assets and Liabilities were extracted on 30.6.2016.

	Sh.		Sh.
Land	2,000,000	Motor vehicle	1,706,000
Bank loan	1,600,000	Restaurant building	926,000
Cash in hand	119,200	Bank overdraft	422,000
Debtors	774,500	Creditors	906,400
Prepayments	107,200	Unpaid salaries	213,700

Prepare the Balance sheet as at 30.6.2016 and determine the Net Profit for the six months.

(10 marks)

8. The following balances were extracted from the records of Katana, Bakari and Hamisi Partnership as at 30.6.2016.

	Sh.
Net Profit	3,400,000
Capitals: Katana	1,200,000
Bakari	600,000
Hamisi	800,000
Current A/Cs: Katana	106,000 (Cr)
Bakari	42,000 (Cr)
Hamisi	14,000 (Dr)
Drawings: Katana	79,000
Bakari	124,000

The partnership agreement provides for the following:

- (i) Profits to be shared in proportion to their capital contributions.
- (ii) Interest on capital to be allowed at 20% p.a.
- (iii) Charge interest on drawings at 25% p.a.
- (iv) Katana and Bakari be paid salaries at the rate of 60,000 and 40,000 per month respectively.

Prepare: (i) Partnership Profit and Loss Appropriation Account. (6 marks)
 (ii) Partners Current A/cs. (4 marks)

9. (a) Explain five errors that do not affect trial balance agreement. (5 marks)
- (b) (i) Explain what is meant by depreciation. (2 marks)
- (ii) Differentiate between reducing balance and straight line methods of calculating depreciation. (3 marks)

10. Utamu Hotel has prepared the following trial balance as at 30.6.2016.

	Dr. Sh '000	Cr. Sh '000
Share Capital		242,000
Cash in hand	109,400	
Bank		1,274
Premises	94,000	
Debtors	30,699	
Creditors		1,402
Gross Profit: Accommodation		12,210
Restaurant		18,600
Rent and Rates	40	
Motor vehicles (cost 21,800,000)	16,680	
Furniture and Fittings (Cost 7,204,000)	3,995	
Accommodation expenses	2,490	
Restaurant expenses	3,480	
Wages and Salaries	5,416	
Administrative expenses	1,820	
Heating and lighting	1,710	
Hotel equipment (Cost 4,812,000)	3,596	
Repairs and maintenance	1,740	
Food and Bar stock	420	
	<u>275,486</u>	<u>275,486</u>

Additional Information:

- (i) Depreciation is charged on reducing balance basis on motor vehicles and hotel equipment at 20% p.a. and furniture and fittings, 15% p.a.
- (ii) Provide for doubtful debts at 5%.
- (iii) Prepaid Rent and Rates Ksh 5,000 and accrued Repairs and Maintenance Ksh 200,000.
- (iv) Transfer Ksh 2,000,000 to a general Reserve and tax at 30% of the Net profit.

- Prepare:
- (i) Income statement for the year. (5 marks)
 - (ii) Statement of Financial position as at 30.6.2016. (5 marks)

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