

2802/201
HOSPITALITY ACCOUNTING
AND LAW THEORY
June/July 2017
Time: 3 hours

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THE KENYA NATIONAL EXAMINATIONS COUNCIL
DIPLOMA IN FOOD AND BEVERAGE MANAGEMENT
MODULE II

HOSPITALITY ACCOUNTING AND LAW THEORY

3 hours

INSTRUCTIONS TO CANDIDATES

*This paper consists of **TWO** sections; **A** and **B**.*

*Section **A** has **FOUR** questions. Answer question **1** and any other **TWO** questions.*

*Section **B** has **SIX** questions. Answer question **FIVE** and any other **FOUR** questions.*

*Answers to all questions **MUST** be written in the answer booklet provided.*

Maximum marks for each part of a question are as indicated.

*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.

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

1. (a) State **four** obligations of an employee in an employment contract. (4 marks)
 - (b) Highlight **four** sources of Kenyan law. (4 marks)
 - (c) Explain **two** roles of the Kadhi's Court in Kenya. (4 marks)
 - (d) State **four** ways a court of law in Kenya can punish an offender. (4 marks)
 - (e) Explain **two** rules of the National Police Service in Kenya in fighting crime. (4 marks)
2. In 2010, Kenya promulgated a new constitution which was widely supported, but in the process of implementation the government is facing certain challenges. Explain **five** such challenges. (10 marks)
 3. Explain **five** essentials of a valid contract. (10 marks)
 4. Explain **five** roles of a catering establishment owner in the catering industry as per the requirement of the law. (10 marks)

SECTION B: HOSPITALITY ACCOUNTING (60 marks)

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

5. (a) As at 1 January 2011, provision for doubtful debts of Nyota Traders was Sh. 4,800. As at 31 December 2011, it was adjusted to Sh. 3,900. Prepare provision for doubtful debts account for the year 2011. (4 marks)
- (b) Ayab and Babu are partners in business with capital contributions of Sh. 520,000 and 460,000 respectively. Their partnership agreement provides for:
 - (i) partners to share profits and losses equally;
 - (ii) interest on capital to be allowed at 10% p.a;
 - (iii) Ayab to receive an annual salary of Sh. 40,000.

During the year 2011, the firm realized a net profit of Sh. 169,000. Prepare profit and loss appropriation account for the year ended 31 December 2011. (4 marks)
- (c) Outline **two** functions of accounting information. (4 marks)

(d) Balance off the following accounts as at 31 December 2011.

		Bank			
6/12	Capital	196,000	28/12	Rent	46,000
24/12	Sales	33,000	30/12	Equipment	52,000
		Capital			
22/12	Cash	24,000	16/12	Bank	196,000
			10/12	Motor vehicle	210,000

(4 marks)

(e) The following transactions relates to business of Nyenda Enterprises for the month of April 2012:

- April 9 Sold goods Sh. 18,000 on credit to Dan;
- April 18 Sold goods Sh. 36,000 on credit to Peter.

Make the entries of the above in the relevant journal. (4 marks)

6. (a) Outline **four** errors that can be revealed by the trial balance. (4 marks)

(b) The cash book of Apollo Traders as at 30 September, 2012 showed a bank overdraft of Sh. 26,000. A bank statement received for the same period showed a different closing balance.

On comparing the two documents, the following discrepancies were noted:

- (i) The bank had paid a standing order Sh. 12,200.
- (ii) Otieno, a customer, had paid Sh. 23,000 directly into the account.
- (iii) The bank had levied a charge of Sh. 2,100.

Prepare adjusted cash book showing the corrected bank balance. (6 marks)

7. (a) State **four** sources of funds for a non profit making organisation. (4 marks)

(b) As at 1 July, 2012, Ukweli Traders had Sh. 26,000 cash and Sh. 190,000 in the bank. During the month of July 2012, the following transactions took place:

- July 3 Received a cheque of Sh. 15,000 from Peter;
- 6 Sold goods Sh. 120,000 cash;
- 12 Deposited Sh. 90,000 of the cash into the bank account;
- 24 Withdrew Sh. 14,000 from the bank for personal use;
- 28 Paid wages Sh. 30,000 cash.

Draw a two column cash book for July 2012. (6 marks)

8. (a) The following balances were extracted from the books of Sawa Traders as at 30 June, 2012.

	Ksh.
Rent owing	18,000
Bank loan	170,000
Inventory	60,000
Accounts payable	20,000
Accounts receivable	35,000
Equipment	330,000
Cash	110,000

Determine capital as at 30 June, 2012. (4 marks)

- (b) The following information relates to the business of Bidii Traders for the year 2011:

	Ksh.
Creditors balance as at 1 January 2011	24,600
Summary for the year 2011	
Credit purchases	456,000
Purchases returns	12,000
Set off	22,000
Payment to creditors	260,000
Discounts received	10,000

Prepare purchases ledger control account for the year 2011. (6 marks)

9. (a) Explain the meaning of each of the following errors:

- (i) error of principle;
- (ii) error of compensation.

(4 marks)

- (b) Akili Limited had issued ordinary share capital of Sh. 1,200,000. During the year ended 31 December 2011, the company realized a net profit of 196,000. The directors resolved the following:

- (i) to pay ordinary dividend at 8%.
- (ii) to transfer Sh. 30,000 to general reserve.

The provisions for corporation tax is 30%.

Prepare appropriation account for the year ended 31 December, 2012. (6 marks)

10. (a) Outline **four** services offered to customers by commercial bank. (4 marks)
- (b) Mjengo Limited bought a motor vehicle on 1 January, 2010 for Sh. 760,000. The firm depreciates motor vehicles at 20% p.a. on cost.

For the years ended 31 December, 2010 and 2011 prepare provision for depreciation on motor vehicles account. (6 marks)

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