

2802/201  
HOSPITALITY ACCOUNTING  
AND LAW  
Oct./Nov. 2022  
Time: 3 hours



**THE KENYA NATIONAL EXAMINATIONS COUNCIL**  
**DIPLOMA IN FOOD AND BEVERAGE MANAGEMENT**  
**MODULE II**  
**HOSPITALITY ACCOUNTING AND LAW**  
**3 hours**

**INSTRUCTIONS TO CANDIDATES**

*This paper consists of TWO sections; A and B.  
Answer question ONE (COMPULSORY) and any other TWO questions from section A.  
Answer question FIVE (COMPULSORY) and any other FOUR questions from section B.  
Answers to the questions should be written in the answer booklet provided.  
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 (40 marks)**

*Answer Question ONE (compulsory) and any other TWO questions from this section.*

1. (a) Highlight **four** functions of law in a country. (4 marks)
  - (b) Describe each of the following courts:
    - (i) District Magistrate Court; (2 marks)
    - (ii) Resident Magistrate Court. (2 marks)
  - (c) Enumerate **four** reasons for fair dismissal from employment. (4 marks)
  - (d) Highlight **four** documents required for a restaurant licence to be issued to the proprietor. (4 marks)
  - (e) Differentiate between an inn and a hotel. (4 marks)
2. Discuss **five** duties of the Chief Justice in Kenya. (10 marks)
  3. Explain **five** essentials of a valid contract. (10 marks)
  4. Discuss **five** advantages of renting a business property as opposed to owning. (10 marks)

SECTION B (60 marks)

Answer question FIVE (COMPULSORY) and any other FOUR questions from this section.

5. The following trial balance was extracted from the books of account of Twiga Retailers as at 31 December, 2021.

	DR.	CR.
	Ksh	Ksh
✓ Equipment at cost	400,000	
✗ Provision for depreciation on equipment		100,000
✓ Rent	120,000	
✓ Inventory (1 January 2021)	42,000	
✓ Drawings	50,000	
✓ Electricity	66,000	
✓ Sales		1,700,000
✓ Accounts payable		30,000
✓ Accounts renewable	25,000	
✓ Purchases	1,440,000	
✓ Capital		523,000
✓ Cash in hand	60,000	
✓ General expenses	150,000	
	<u>2,353,000</u>	<u>2,353,000</u>

Additional information:

- As at 31 December 2021, inventory was valued at Ksh. 98,000.
- Depreciation on equipment is provided at 10% per annum on book value.

Prepare:

- income statement for the year ended 31 December, 2021. (11 marks)
- statement of financial position as at 31 December, 2021. (9 marks)

6. The following transactions took place in the business of Hawa Traders in the month of July 2021.

- July: 3 Bought goods for Ksh. 18,000 from Paul on credit.  
 5 Sold goods for Ksh. 6,000 to Ann on credit.  
 10 Bought goods for Ksh. 42,000 from Kim on credit.  
 14 Returned goods worth Ksh. 2,000 to Paul.  
 18 Sold goods for Ksh. 10,000 to Jeff on credit.  
 30 Ann returned goods valued at Ksh. 1,600.

Prepare relevant journals for the month of July 2021.

(10 marks)

7. Discuss five users of accounting information of an organization.

(10 marks)

8. The following is the receipts and payments account of Zulla Social Club for the year ended 31 December 2021.

	Ksh		Ksh
Balance b/d	42,000		
Subscriptions	264,000	Rent	134,000
Donations	110,000	Wages	86,000
Gate entrance fee	52,000	Furniture	194,000
Raffle tickets sale	90,000	Raffle ticket expenses	61,000
		Balance c/d	83,000
	<u>558,000</u>		<u>558,000</u>

Additional information:

Balances as at 31 December	2020	2021
	Ksh.	Ksh.
Subscriptions in arrears	2,400	6,000
Furniture	240,000	400,000

Prepare income and expenditure account for the year ended 31 December 2021.

(10 marks)

9. Explain each of the following terms as used in the company accounting:

- (a) Debenture. (2 marks)
- (b) Dividend. (2 marks)
- (c) Share capital. (2 marks)
- (d) Reserve. (2 marks)
- (e) Share premium. (2 marks)

10. Alex and Bana are partners in business sharing profits and losses in the ratio 3:2 respectively. The following information relates to their firm for the year 2021.

		Ksh.
Capital:	Alex	540,000
	Bana	420,000
Drawings:	Alex	60,000
	Bana	44,000
Net profit		370,000

Additional information:

- Bana is entitled to a monthly salary of Ksh. 7,000.
- Interest on capital is to be allowed at 12% per annum.
- Interest on drawings is to be charged at 5%.

Prepare the partnerships profit and loss appropriation account for the year ended 31 December 2021.

(10 marks)

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