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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
DIPLOMA IN HOSPITALITY MANAGEMENT
YEAR ONE, SEMESTER TWO
DHM 1623: HOSPITALITY ACCOUNTING

Date: 13TH December 2024
Time: 11:30AM – 1:30PM

INSTRUCTIONS TO CANDIDATES
ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

The following balances have been extracted from the books of KIVI Manufacturers, a small scale hotel manufacturing enterprise, as at 31 December 2022:

| | | Sh. |
		'000'
Stocks as at 1 January 2022:	Raw materials	10,000
	Work in progress	5,000
	Finished goods	9,900
Purchases of raw materials		38,000
Direct labour		28,000
Factory overheads:	Variable	16,000
	Fixed	10,000
Administrative expenses:	Rent and rates	19,000
	Lighting	6,000
	Stationery and postage	5,000
	Staff salaries	19,380
Sales		392,000
Plant and machinery:	At cost	40,000
	Provision for depreciation	10,000
Motor vehicles (for sales deliveries):	At cost	16,000
	Provision for depreciation	4,000
Creditors		5,500
Debtors		28,000
Drawings		11,500
Balance at bank		16,600
Capital at 1 January 2022		48,000
Provision for unrealized profit at 1 January 2022		1,380
Motor Vehicle running costs		6,000

Additional information:

1.   Stocks at 31 December 2022 were as follows:

	Sh.
	'000'
Raw materials	10,000
Work in progress	7,000
Finished goods	12,550

2.   The factory output is transferred to the trading account at factory cost plus 10 % of factory profit.

3.   Depreciation is provided at the rates shown below on the original cost of fixed assets held at the end of each financial year.

Plant and machinery   -   10% per annum

Motor vehicles   -   25% per annum

Required:

(a) Manufacturing account for the year ended 31 December 2022   (5 Marks)

(b) Trading and profit and loss account for the year ended 31 December 2022.   (5 Mark)

(c) Balance sheet as at 31 December 2022.   5 marks)

d) The accounting profession has for a long time relied on certain accounting conventions to guide accounting practice. Some of these conventions include:

   (i)   The business entity principle.
   (ii) The historical cost principle.
   (iii) The monetary principle.
   (iv) The matching principle.
   (v)   The conservatism principle.

Required:

i) Explain the meaning of each principle.   (5 Marks)

e)   Explain the following terms as used in Hospitality Accounting:

   i)   Real Accounts   (2 Marks)
   ii)   Asset   (2 Marks)
   iii)   Double entry aspect   (2 Marks)
   iv)   Differentiate between a petty cashbook and a three-column cashbook.   (4 marks

QUESTION TWO (TOTAL 20 MARKS)

From the books of Halima the following information was obtained for the year ended 31st December, 2021

	£
Drawings	
Cash at bank	820,000
Cash in hand	361,000
Debtors	49,500
Stock 30 November 2020	1,250,000
Motor van	
Sales	1,391,000
Purchases	500,000
Returns inwards	2,710,000
Carriage inwards	625,000
Returns outwards	200,000
Carriage outwards	57,000
Motor expenses	31,500
Rent	34,700
Telephone	35,900
Wages & salaries	163,000
Office expenses	297,000
Insurance	70,500
Bad debts	800,000
	69,200
	38,400

Additional information:

i) Stock was valued at ksh 270,500.as at 31st December, 2021.

a) Required: prepare trading, profit and loss account for Halima for the year ended 31st December, 2021.
(8Marks)

b)   Explain five errors which affect the trial balance   (8 Marks)

c)   Differentiate between returns inwards and returns outwards.   (4marks)

QUESTION THREE (TOTAL 20 MARKS)

(a) State Four importance of maintaining control accounts.   (4 marks)

(b) The following information has been extracted from the books of GIAKI Traders Limited for the month of April 2021.

Balances as at I April 2021:

	Sh.
Sales ledger - Debit balances	920,000
- Credit balances	90,000
Purchases ledger -Debit balances	170,000
- Credit balances	600,500
Transactions during the month:	
Sales on credit	11,450,000
Purchases on credit	6,700,000
Returns inwards	248,000
Returns outwards	179,000
Cheques received from trade debtors	4,100.000
Cash paid to trade creditors	4,175,000
Cheques paid to trade creditors	1,540,000
Bad debts written-off	237,000
Discounts allowed to trade debtors	150,000
Discounts received from trade creditors	221,000
Credit sales off-set against credit purchases	456,000
Credit purchase of a motor vehicle posted in the purchases ledger	675,000
Dishonored cheques from trade debtors	345,000
Cash received to replace dishonored cheques from trade debtor	240,000
An invoice to trade debtors of Sh.235,000 posted as	352,000

Balances as at 30 April 2020:

Sales ledger credit balances	260,600
Purchases ledger debit balances	120,800

Required:

i) Prepare the sales ledger control accounts for the month ended 30 April 2021   (8 Marks)

ii) Prepare the purchases ledger control accounts for the month ended 30 April 2021 (8 Marks)

QUESTION FOUR (TOTAL 20 MARKS)

Hassan has the following assets and liabilities as on 30 November 2021:

Creditors £100,500; Equipment £280,000; Motor vehicle £650,900; Stock £130,500; Debtors £87,700; Cash at bank £78,500 and Cash in hand £2600.

During the first week of December 2021, Hassan:

a. Bought extra equipment on credit for £20,500.
b. Bought extra stock by cheque £8,500.
c. Paid creditors by cheque £8,000.
d. Received from debtors £16,100 by cheque and £3000 by cash.
e. Put in extra £35,000 cash as capital.

Required:

i. Compute the balance on the capital account as at 30 November 2021   (5 Marks)
ii. Open relevant ledger accounts, post the opening balances and the transactions   (6 Marks)
iii. Draw up a balance sheet as on 7 December 2021 after the above transactions have been completed.
(4 Marks)

b) Highlight five source documents used in accounting   (5 Marks)

QUESTION FIVE (TOTAL 20 MARKS)

a) Explain why it is important for a business entity to prepare a bank reconciliation statement   (4 marks)
b) Discuss   four   users   of   hospitality   accounting   information   showing   their   interest
(4Marks)

c) Briefly explain the following types of errors:
   (i) Error of commission   (3 marks)
   (ii) Error of principle   (3marks)
   (iii) Complete reversal of entries   (3 marks)
   (iv) Compensating errors   (3 marks)