

Candidate's Name: _____

Index No: _____

2802/201

HOSPITALITY ACCOUNTING
AND LAW

Oct/Nov. 2015

Time: 3 hours



Candidate's signature: _____

Date: _____

THE KENYA NATIONAL EXAMINATIONS COUNCIL

**DIPLOMA IN FOOD AND BEVERAGE PRODUCTION, SERVICE AND SALES
MANAGEMENT
MODULE II**

HOSPITALITY ACCOUNTING AND LAW

3 hours

INSTRUCTIONS TO CANDIDATES*Write your name and index number in the spaces provided above.**Write the date of the examination and sign in the spaces provided above.**This 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** in the spaces provided.**Maximum marks for each part of a question are indicated.**Candidates should answer the questions in English.***For Examiner's Use Only**

Section	Question	Maximum Score	Candidate's Score
A	1	20	
		10	
		10	
B	5	20	
		10	
		10	
		10	
		10	
Total Score		100	

This paper consists of 16 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 THEORY (40 marks)

Answer question ONE and any other TWO questions in this section.

1. (a) Explain **two** general concepts of law. (4 marks)
- (b) Highlight the statutes in the current law of Kenya that have been influenced by African Customary Law. (4 marks)
- (c) Describe the **two** aspects of case law. (4 marks)
- (d) Differentiate between undue influence and Duren as stated in the law of contract. (4 marks)
- (e) Explain **two** general defences under the law of tort. (4 marks)
2. (a) Describe **three** forms of defences to defamation. (6 marks)
- (b) Njeri has been an employee of Kula Hotel Limited under permanent terms. After 5 years her contract was terminated on medical grounds. Identify the remedies due to Njeri. (4 marks)
3. (a) Enumerate **four** duties of a partner in a partnership business. (4 marks)
- (b) State **six** rights due to a partner in a partnership. (6 marks)
4. (a) Njoroge, a taxi operator was contracted by John Smith, a British tourist to provide a tour van. Upon arrival in Nairobi, John Smith was provided with a saloon car which he declined and sued Njoroge seeking refund. Discuss Njoroge's position in law. (6 marks)
- (b) Describe **two** offences relating to the sale of food under the food, drugs and chemical substances Act. (4 marks)

SECTION B: (60 marks)

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

5. (a) (i) Describe **two** objectives of accounting in the hospitality industry. (2 marks)
- (ii) Most hotels are adopting computerised accounting systems. Explain two advantages of using computers. (2 marks)
- (b) (i) Identify the accounting documents used to record the following transactions:
 - (I) credit sale to a customer;

- (II) cash purchase of food supplies;
 (III) cash sale to a customer;
 (IV) cheque payment to a creditor.

(2 marks)

- (ii) State **two** reasons why source documents are necessary in accounting for a hotel.
 (2 marks)

- (c) The following balances were extracted from the records of Beachline Golf and Resort Club on 31.12.2012.

	(Shs.)
Subscription in arrears 1.1.2012	56,300
Subscription received in 2012	1,264,450
Subscription received in advance 1.1.2012	264,310
Subscription in arrears 31.12.2012	342,120
Subscription in advance 31.12.2012	194,200

Prepare the subscriptions account for Beachline Gold and Resort Club for 2012.

(4 marks)

- (d) (i) Differentiate between a cash discount and a trade discount. (2 marks)
 (ii) State in which ledger the two discounts above are recorded. (2 marks)
- (e) Choma Quick Bar and Restaurant had the following assets and liabilities on 1st January 2013.

	Shs.		Shs.
Stock (Drinks/Beverages)	175,110	Motor vehicles	784,900
Food supplies stock	62,100	Trade creditors	102,500
Fixtures and fittings	413,600	Trade debtors	70,110
Kitchen equipment	210,200	Bank loan	940,000
Computers	103,200	Bank overdraft	126,300
Cash	42,400		

Prepare the balance sheet for Choma Quick Bar and Restaurant.

(4 marks)

6. The accountant of Safari Tented Camp prepared the Trial Balance on 30th June 2013 which did not agree. On further investigation, the following errors were discovered:
- (i) Salaries advances of Ksh.33,400 had not been recorded in the salaries account.
 - (ii) Sales by cash Ksh.106,800 had been completely omitted from the records.
 - (iii) Purchases had been overcast by Ksh.71,600.
 - (iv) Cheque deposit of Ksh.84,000 was recorded on the credit side of the cash book.
 - (v) Purchase of motor vehicle Ksh.625,000 had been recorded in the purchases account.
 - (vi) Returns inwards of Ksh.19,500 had been credited in the returns outwards account.
- (a) Prepare the journal entries to correct the errors. (6 marks)
 - (b) Record the suspense account and balance it. (4 marks)
7. The receipt and payments account of Kata Kauli Social Club for the year ended 31.12.2013 was as follows:

KATA KAULI SOCIAL CLUB

Receipt and Payments Account

1.1.2013	Bal b/f	203,960	31.12.2013	Equipment	306,500
31.12.2013	Subscriptions	1,643,800	31.12.2013	Salaries	298,000
31.12.2013	Donations	107,600	31.12.2013	Maintenance	104,200
31.12.2013	Sports entrance fees	301,400	31.12.2013	Insurance	73,400
			31.12.2013	Sports prizes	28,700
			31.12.2013	Utilities	75,250
			31.12.2013	Squash court	406,500
			31.12.2013	Bal c/f	964,210
		2,256,760			2,256,760

Additional information

Balances appearing in the records were as follows:

	1.1.2013		31.12.2013	
		Sh.		
			Sh.	
Subscriptions accrued	106,200		Subscriptions accrued	101,000
Subscriptions paid in advance	174,000		Subscription paid in advance	98,200
Equipment (written down value)	709,000			
Premises	2,560,000			

Equipment is depreciated at 10% p.a. on the Written Down Value.

- (a) Prepare the statement of affairs as at 1.1.2013. (4 marks)
- (b) Prepare the income to expenditure account for the year. (6 marks)

8. Kiringa Banda & Villas has been operating for several years along the Indian Ocean. The hotel had the following balances on 1st January 2013.

	Ksh'000
Capital	42,140
Building	40,000
Trade debtors	1,400
Trade creditors	2,300
Stock	1,700
Cash at bank	1,340

The following transaction took place during the month of January 2013.

- (i) Constructed 2 bandas at a cost of Ksh.800,000 each
- (ii) Received Ksh.780,000 from debtors and made credit sales of Ksh.314,000.
- (iii) Creditors were paid Ksh.900,000 by cheque while purchases on credit amounted to Ksh.400,000
- (iv) Cash received from sales amounted to Ksh.1,200,000
- (v) Loan borrowed from KTDC amounted to Ksh.5,000,000

Prepare the balance sheet after the above transactions. (10 marks)

9. Kitu Traders extracted the following information from its sales ledger on January 21, 2013.
Prepare the sales ledger control account. (10 marks)

		Ksh.	
Jan. 1	Balances	Debit	142,000
		Credit	13,400
Jan. 31	Sales on credit		987,340
	Bad debts written off		32,400
	Discounts allowed		73,500
	Cash received from debtors		172,810
	Cheques received from debtors		633,200
	Dishonoured cheques		99,500
	Balances set-off		21,300
	Cash refunds to debtors		3,600
	Returns inwards		30,300
	Changes on overdue accounts		12,800
Jan. 31	Balance		6,400

10. The balances appearing in the books of Kajuju Academy on 31.12.2013 as follows:

	Sh.
Gross profit	2,307,200
Salaries & wages	735,600
Rates	17,500
Student transport expenses	102,400
Motor vehicle expenses	274,300
Motor vehicle (cost)	1,742,000
Premises (cost)	5,326,400
Bank balance (cr)	172,800
Student catering expenses	801,460
Learning materials expenses	210,100
School equipment (Net book value)	1,106,200
Debtors (school fees)	246,3000

Additional information

- (i) School equipment is depreciated at 10% p.a. on the Net book value, motor vehicles at 15% p.a. on cost.

