

2802/201
HOSPITALITY ACCOUNTING
AND LAW
June/July 2018
Time: 3 hours

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

HOSPITALITY ACCOUNTING AND LAW

3 hours

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INSTRUCTIONS TO CANDIDATES

*You should have an answer booklet for this examination.
This question paper consists of TWO sections; A and B.
Answer Question 1 and any other TWO questions from Section A.
Answer Question 5 and any other FOUR questions from Section B.
Candidates should answer the questions in English.*

This paper consists of 4 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) State **four** sources of Kenya Law. (4 marks)
- (b) Outline **four** specific offences under the law of tort. (4 marks)
- (c) Highlight **four** reasons that may lead to termination of a premises' lease contract. (4 marks)
- (d) Explain **two** reasons that justify the government to regulate sale of alcohol. (4 marks)
- (e) Explain **two** reasons that may lead to refusal of being issued with a hotel licence by the government licensing agencies. (4 marks)
2. Describe **five** features of a valid employment contract. (10 marks)
3. Explain **five** levels of the organization structure of the Judiciary under the constitution of Kenya 2010. (10 marks)
4. Explain **five** roles of the National Police Service in addressing the trespass offences under the law of tort. (10 marks)

SECTION B: HOSPITALITY ACCOUNTING (60 marks)

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

5. The following information relates to Damy Limited for the year ended 31 December 2016.

	Ksh
Salaries and wages	182,000
Debenture interest	24,000
Purchases	1,400,000
Inventory (1 January 2016)	320,000
Inventory (31 December 2016)	460,000
Directors remuneration	50,000
Ordinary Dividend	24,000
Preference Dividend	40,000
Sales	3,600,000
General expenses	120,000
Depreciation on building	46,800
Insurance	42,000
Retained profit (1 January 2016)	244,000
Corporation tax	562,560

Prepare an income statement for the year ended 31 December 2016

(20 marks)

b/d

6. On 31 August 2016, the cash book of Wekan Retailers showed a bank balance of Ksh 18,900. The bank statement, received for the same period showed a different closing balance. On comparing the two documents, the following discrepancies were revealed:

- (i) A standing order of Ksh 12,200 had been paid by the bank;
- (ii) Bank charges levied were Ksh 3,200;
- (iii) A deposit of Ksh 29,600 in the bank had not been entered in the cash book;
- (iv) A customer had deposited Ksh 10,000 directly in to the bank account;
- (v) A cheque of Ksh 15,000 from a customer had been dishonoured.

Prepare an updated cash book showing the corrected bank balance. (10 marks)

7. Explain five benefits derived from the use of an Automated Teller Machine (ATM) card. (10 marks)

8. The following balances were extracted from the books of account of Faddo Enterprises as at 1 January, 2016.

	Ksh
Capital <i>e/s</i>	540,000 ✓
Accounts receivable (Debtors)	40,000 ✓
Accounts payable (Creditors)	140,000 ✓
Cash <i>e/s</i>	160,000 ✓
Bank overdraft	120,000
Inventory	180,000 ✓
Equipment <i>e/s</i>	420,000 ✓

The following transactions took place during the month of January 2016:

- (i) bought equipment of Ksh 12,000 in cash; *160-12*
- (ii) received a cheque of Ksh 20,000 from a debtor; *e/s*
- (iii) proprietor took Ksh 6,000 cash for personal use;
- (iv) bought goods of Ksh 36,000 on credit;
- (v) paid a creditor Ksh 15,000 in cash.

Prepare a statement of financial position as at 31 January, 2016 (after the above transactions have taken place). (10 marks)

Handwritten calculations:

$160,000 - 12,000 = 148,000$
 $148,000 + 20,000 = 168,000$
 $168,000 - 6,000 = 162,000$
 $162,000 + 36,000 = 198,000$
 $198,000 - 15,000 = 183,000$

9. Twiga started a business on 4 October, 2016, with Ksh 490,000 in cash.
The following transactions took place during the month:

October 8 deposited Ksh 310,000 of the cash into a bank account;

12 bought furniture of Ksh 32,000 on credit from Town;

18 took Ksh 10,000 cash for personal use;

28 paid Tom Ksh 26,000 by cheque.

*debit about 10000 in
credit to what is given with*

Enter the transactions above in the relevant accounts.

(10 marks)

10. The following errors were revealed from the books of account of Kerry Traders:

- (i) Sales day book had been undercast by Ksh. 600;
- (ii) Payment of Ksh 2,000 to Dano a creditor had been entered in the personal account of Deho;
- (iii) Purchase of Equipment of Ksh 20,000 had been entered in the purchases account;
- (iv) Cash payment of electricity of Ksh 3,600 had completely been omitted in the books;
- (v) Receipt of a cheque of Ksh 9,000 from Daisy had only been entered in the cash book.

Prepare a journal to correct the errors above.

(10 marks)

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