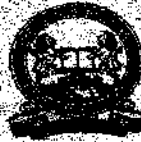


Candidate's Name: _____ Index No: _____

2802/201
**HOSPITALITY ACCOUNTING
 AND LAW**
 June/July 2015
 Time: 3 hours

Candidate's Signature: _____

Date: _____



THE KENYA NATIONAL EXAMINATIONS COUNCIL
DIPLOMA IN FOOD AND BEVERAGE MANAGEMENT
HOSPITALITY ACCOUNTING AND LAW

3 hours

INSTRUCTIONS TO CANDIDATES

Write your name and index number in the spaces provided above.
Sign and write the date of the examination in the spaces provided above.
This question 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.
Answers to the questions must be written in the spaces provided in this question paper.
Candidates should answer the questions in English.

For Examiner's Use Only

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

This paper consists of 20 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 1 and any other TWO questions from this section in the spaces provided.

1. (a) State two exceptional circumstances where case law has no application. (4 marks)
 - (b) James Keya was released from Kaki Mental Hospital on 24th January 2013 after being certified as normal by a psychiatrist. On 6th May 2013 Keya sold his 2 acres of land in Kilifi inherited from an uncle to Johnstone Kavu for Ksh. 50,000. On 7th July 2013 Keya's mother and brother moved to court seeking to invalidate the sale on the basis of Keya being of unsound mind.
 - (i) state the circumstances under which contract with lunatics are not voidable; (4 marks)
 - (ii) what circumstances can make the above sale be voided? (4 marks)
 - (c) (i) Describe four circumstances necessary for customary law to be enforceable. (4 marks)
 - (ii) State four categories of contracts that are termed as of utmost good faith. (4 marks)
2. (a) State three instances where a hotel or inn-keeper may not be liable to a loss incurred by a guest in his/her hotel as per the Hotel and Restaurants Act. (6 marks)
 - (b) State four premises under the Hotel and Restaurant Act which are not eligible to pay the Training and Tourism Development Levy. (4 marks)
3. (a) Describe three types of liquor licences issued in Kenya. (6 marks)
 - (b) With the aid of a diagram, describe the structure of the Kenyan Judicial System. (4 marks)
4. (a) Case law is one of the sources of law. State three advantages of case law. (6 marks)
 - (b) State four essential elements of a valid contract. (4 marks)

SECTION B: HOSPITALITY ACCOUNTING (60 marks)

Answer question 5 (COMPULSORY) and any other FOUR questions from this section in the spaces provided.

5. (a) For each of the following accounts, identify the type/class for each account. (4 marks)

Account	Type/Class
Kali Ltd (Debtor)	
Rent expense	
Motor vehicle (asset)	
Interest income	

- (b) Accounting transactions are recorded using double entry system. Indicate the type of effect each of the transactions has on the three items of the accounting equation: (4 marks)

- (i) purchase of a motor vehicle by cash;
- (ii) payment of goods by cash;
- (iii) owner injects more cash into a business;
- (iv) borrow a loan from a bank.

- (c) (i) Differentiate between a cash and a credit transaction; (2 marks)
- (ii) Indicate the type of transaction for each of the following:

Transaction	Type
Purchase of business premises by mortgage	
Drawings of cash by the owner	
Deposit of cash into business bank account	
Purchase of equipment by Mpesa	

(2 marks)

- (d) The purchases ledger balance of Ramisu Sea View Restaurant for January 2014 was as follows:

Purchases ledger balances 1.1.2013	Ksh. 29,000 debit
	Ksh. 680,000 credit
Transactions for the month	
Purchases on credit	Ksh. 2,380,000
Purchases by cheque	Ksh. 740,000
Returns outwards	Ksh. 460,000
Cash paid to suppliers	Ksh. 1,240,000
Bills payable	Ksh. 564,000
Set-offs	Ksh. 74,300
Purchases ledger balance 31.1.2014	Ksh. 32,000 debit

Prepare the purchases ledger control account for the month of January 2014.

(4 marks)

- (e) The Equity of Kalimu Bay Hotel on 31st December 2013 was Ksh. 2,460,800. During the year, the hotel made net profits of Ksh. 748,000 while the owner made drawings of Ksh. 302,100. Determine the opening capital for the hotel on 1st January 2013.

(4 marks)

6. The following transactions relate to Hannah Mwikali, the proprietor of Mwinnah Pastries for the month of January 2014.

Jan 2	Acquired a new oven from Kipa Kitchens Ksh. 120,000 on credit
Jan 3	Borrowed a loan from WEP bank Ksh. 250,000 and deposited it in an account with the same bank
Jan 15	Sold pastries worth Ksh. 64,000 cash
Jan 17	Bought food supplies for making pastries Ksh. 30,000 cash

Record the above transactions in the books of original entry for Mwinnah Pastries for the month of January 2014.

(10 marks)

7. (a) Explain the meaning of a trial balance. (2 marks)
- (b) The following trial balance has been drawn by an inexperienced book keeper of Whistling Birds Hotel Ltd for the year ended 31.12.2013.

	Dr.	Cr.
	Ksh. '000	Ksh. '000
Sales		440
Purchases		208
Returns Inwards		10
Returns outwards	12	
Fuel costs	18	
Insurance	22	
Rent paid		14
Food stock 1.1.2013		36
Carriage inwards	8	
Carriage outwards		11
Discounts received	10	
Discounts allowed		9
Kitchen equipment	160	
Kitchen equipment depreciation	20	
Wages and salaries	<u>86</u>	
	<u>336</u>	<u>728</u>

Re-draft the trial balance correctly.

(8 marks)

8. Cosy Apartments Ltd is a hotel offering furnished apartment to customers. During the month of July, the company had Ksh. 12,000 cash in hand and Ksh. 16,000 overdraft in the bank. The following transactions occurred during the month.

July 2	Settled Karu Ltd. debt of Ksh. 80,000 by cheque receiving cash discount of 10%
July 3	Received Ksh. 18,800 from Rose by cash
July 7	Deposited Ksh. 10,000 cash into bank
July 10	Received cheque of Ksh. 11,400 from Chabi Carriers in full settlement of debt allowing 5% cash discount
July 18	Leased 2 apartments to Jeta Airlines for Ksh. 30,000 on credit
July 22	Paid Kabil Ltd by cheque Ksh. 25,000 in full settlement of a debt of Ksh. 26,500
July 24	Cash sales paid directly into bank Ksh. 32,500
July 26	Withdrew Ksh. 16,200 from bank for business use
July 28	Purchased hotel supplies from Karita Ltd Ksh. 42,000 on credit
July 30	Banked all the cash except Ksh. 5,000

Prepare the three-column cash book for Cosy Apartments for the month of July and balance it. (10 marks)

9. (a) Differentiate between a partnership and a sole trader. (2 marks)
- (b) Kaurit and Parit are partners owning Kampar Restaurant. The following balances were extracted from their books on 31st December 2013.

		Ksh.
Capital:	Kaurit	600,000
	Parit	480,000
Salaries:	Kaurit	90,000
	Parit	60,000
Drawings:	Kaurit	120,000
	Parit	134,000

The net profit for the partnership was Ksh. 384,000. Interest on capital is allowed 10% p.a. while interest on drawings is charged at 15% p.a. Profits are shared in the ratio of 7:3 respectively. Prepare the Partnership Appropriation Account and the partners current accounts. (8 marks)

10. Kaunti Hotel prepared the following trial balance as at 31st December 2013.

	Ksh.	Ksh.
Capital		377,600
Sales and purchases	638,000	1,420,000
Debtors and creditors	128,400	302,000
Discounts	41,200	38,600
Motor vehicles	344,200	
Equipment	503,000	
Rent	120,000	
Salaries and wages	304,000	
Energy cost	107,000	
Bad debts written off	54,000	
Depreciation: Motor vehicles		56,200
Equipment		38,400
Provision for doubtful debts		<u>7,000</u>
	<u>2,239,800</u>	<u>2,239,800</u>

Additional Information:

- (i) Rent accrued was Ksh. 20,000 while energy pre-paid was Ksh. 12,000.
- (ii) Closing stock was Ksh. 33,400.
- (iii) Depreciation is provided on a reducing balance basis at 10% p.a. for equipment and 15% p.a. for motor vehicles.
- (iv) Provision for doubtful debts is to be maintained at 5% of debtors.

Prepare the Trading and Profit and Loss Account for Kaunti Hotel Ltd for the year ended 31.12.2013. (10 marks)