

2802/201
HOSPITALITY ACCOUNTING
AND LAW THEORY
Oct./Nov. 2016
Time: 3 hours

20 DEC 2016



THE KENYA NATIONAL EXAMINATIONS COUNCIL

DIPLOMA IN FOOD AND BEVERAGE MANAGEMENT

MODULE II

HOSPITALITY ACCOUNTING AND LAW THEORY

3 hours

INSTRUCTIONS TO CANDIDATES

*This paper consists of TWO sections; A and B.
Section A has FOUR questions. Answer question ONE and any other TWO questions.
Section B has SIX questions. Answer question FIVE and any other FOUR questions.
Answers to all questions MUST be written in the answer booklet provided.
Maximum marks for each part of a question are as indicated.
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 and any other TWO questions from this section.

1. (a) State **four** obligations of an employer in an employment contract. (4 marks)
 - (b) Highlight **four** challenges facing the Kenya government in enforcing law related to the sale of food and drinks. (4 marks)
 - (c) In order to start and run a restaurant business, there are certain requirements one must fulfil. Highlight **four** requirements. (4 marks)
 - (d) Explain **two** reasons why a liquor licence can be denied by the licencing authority. (4 marks)
 - (e) Describe **two** roles of the Kenya Parliament under the current constitution. (4 marks)
2. Kenya in 2010 promulgated a new constitution which was widely supported by the Kenyans due to certain perceived benefits. Explain **five** such benefits upon implementation of the new law. (10 marks)
 3. Explain **five** roles of the Kenya courts. (10 marks)
 4. Mr. Peter is an employee of Rafiki Hotel and in the course of his duties is arrested with a criminal offence and locked in a police cell. Advise him on his rights as an arrested person. (10 marks)

SECTION B: (60 marks)

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

- (5) (a) State **two** causes of depreciation of fixed assets. (4 marks)
- (b) As at January 2011, Tawi Enterprises had prepared insurance payable balance of Ksh. 4000.
During the year 2011, insurance paid amounted to Ksh. 34, 600.
As at December 2011, insurance outstanding was Kshs. 1400.
Prepare insurance account for the year, 2011. (4 marks)
- (c) Outline **two** differences between ordinary share capital and preference share capital. (4 marks)

- (d) The following information relates to the business of Bora Enterprises for the year ended 31 December 2011.

	Ksh.
Rent	42,000
Sales	590,000
Cost of Sales	360,000
Insurance	22,000
Stationery	16,000

Handwritten notes:
 Opening inventory
 Add: purchases
 Less: closing inventory
 Cost of sales
 Sales
 Less: cost of sales
 Gross profit
 Less: expenses
 Profit

Prepare Income Statement for the year ended 31, December 2011. (4 marks)

- (e) The following balances were extracted from the books of Hindu Traders as at 30 June, 2012.

	Ksh.
Cash in hand	90,000
Rent owing	4,800
Accounts payable	6,000
Bank overdraft	15,000
Accounts receivable	12,000
Inventory	20,000

Handwritten notes:
 90,000
 12,000
 102,000
 15,000
 87,000
 12,000
 99,000
 4,800
 6,000
 108,000
 20,000
 88,000

Determine working capital as at 30 June 2012. (4 marks)

6. (a) Outline **four** provisions of the Partnership Act that is applicable by the partners in the absence of an agreement. (4 marks)
- (b) The following errors were revealed in the books of Leten Traders:
- (i) purchase of furniture Ksh. 18,000 had been entered in the purchases account.
 - (ii) payment of rent Ksh. 46,000 had been entered in the rent account as Ksh. 640.
 - (iii) payment of Ksh. 5,700 to Juma, a creditor, had been entered in the personal account of Juma.

Required:

Journal entries to correct each of the above errors. (6 marks)

7. (a) Outline **four** merits of Automatic Teller Machine (ATM) to an account holder. (4 marks)

- (b) The following transactions relate to the business of Maendeleo Traders during the month of May 2012.

May 1- Started business with sh. 280,000 cash.

- 4 Deposited sh. 210,000 of the cash into a business bank account.
- 8 Proprietor withdrew sh. 12,000 from the bank for personal use.

Enter the above transactions in the relevant accounts.

(6 marks)

8. (a) State **four** uses of a good journal.

(4 marks)

- (b) The following information relates to the debtors of Hodari Enterprises for the year 2011.

	Ksh.
1 January 2011 Balance b/d	18,400
Summary of Transactions	
Credit sales.	350,000
Bad debts.	6,000
Receipts from trade debts.	220,000
Discounts allowed.	4,200

Handwritten notes:
 18,400
 350,000
 6,000
 220,000
 4,200

Prepare sales ledger control account for the year 2011.

(6 marks)

9. (a) Identify **four** uses of accounting information of an organisation.

(4 marks)

- (b) The following is the statement of the financial position of Jasho Enterprises as at 31 December 2011.

Fixed Assets: Equipment	620,000	
Current assets:		
Inventory	40,000	
Debtors	28,000	
Cash	<u>52,000</u>	<u>120,000</u>
		<u>740,000</u>
Liabilities:		
Bank Loan	200,000	
Creditors	<u>68,000</u>	268,000
Capital		<u>472,000</u>
		<u>740,000</u>

Handwritten notes:
 620,000
 40,000
 28,000
 52,000
 740,000

The following transactions took place during the month of January, 2012.

- (i) Paid a creditor sh. 14,000 cash.
- (ii) Proprietor took sh. 5,000 cash for personal use.
- (iii) Bought goods on credit sh. 19,000.

Prepare a statement of financial position as at 31, January 2012. (6 marks)

10. (a) The following balances relate to the business of Banda Enterprises as at 30 September, 2012.

	Ksh.
Sales	280,000
Equipment	240,000
Drawings ✓	60,000
Salaries ✓	20,000
Capital	100,000
Stationery	30,000
Purchases ✓	150,000
Bank overdraft ✓	120,000

Prepare a trial balance as at 30 September 2012. (5 marks)

- (b) The treasurer of Afya Social Club had compiled the following information for the year 2011.

	Ksh.
January 1 Subscriptions outstanding	9,400
December 31 Subscriptions outstanding	3,400
Subscriptions received during the year	364,000

Prepare subscriptions account for the year 2011. (5 marks)

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