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Answer Keys to Paper 1 – Hotel Accountancy and Cost Control

Question 1

A. Fill in the blanks

1. Guest register
2. Cheque
3. Statutory
4. Capital reserve
5. Uniform

B. Match the column A with column B.

Column A	Answers	Column B
1. Internal audit	1-d	a. material cost variance
2. Purchase requisition	2-c	b. stock card
3. Statutory audit	3-e	c. proposal of RFQ
4. Bin card	4-b	d. done by employees
5. Difference between the budgeted cost of material and actual cost incurred	5-a	e. external auditor

Q1C) Explain the following terms.

1. Allowance: Allowances are given to rectify incorrect charges on account of disputes because of poor service.
2. Guest weekly bills: When a guest checks in he or she is registered at the hotel reception. Then the cashier opens the guest folio for each resident guest, which referred to as the 'Hotel Credit Bill' or 'Guest Weekly Bill'.
3. Cost of sales: It is the cost that is incurred to produce that part of the food which is sold to the guest. In order to arrive at the cost of food sold it is necessary to ascertain the quantity and the cost of the ingredients consumed.
4. Variance: It is the difference between the budgeted / standard and actual cost.
5. Articles of Association: The article of association is the second important document required to be filed with the Registrar of companies for the purpose of registration. The article is a set of rules and regulations regarding the internal working of the company. The articles are subordinate to MOA.

Question 2 - Part A – Short Notes:

1. Allowance voucher: Students to explain the meaning of the term allowance followed by allowance voucher with the help of a diagram preferably.
2. Discount vs Allowance: Students to give 5 points of distinction between allowance and discount.
3. Debentures and its types: Students to explain the meaning of debenture and explain briefly any 5 types of debentures.

Question 2 - Part B – Company Final Accounts:**Trading and profit and Loss A/c of Star Hotels Ltd for the year ended March 31, 2017**

Particulars	Amount	Amount	Particulars	Amount	Amount
To opening stock		750000	By sales		4150000
To purchases		1850000	By closing stock		950000
To wages		848650			
To freight and carriage		131150			
To gross profit c/f		1520200			
		5100000			5100000
			By gross profit b/f		1520200
To depreciation on P&M		495000			
To preliminary expenses paid off		5000			
To general expenses		68350			
To salaries		145000			
To bad debts	21100				
+ New bad debts	-				
+ New RDD (5% of 870000)	43500				
	64600				
(-) old RDD	(35000)	29600			
To director's fees paid		57250			
To interest on debentures	180000				
Add: O/s interest	180000	360000			
To income tax (50% of 360000 –NP)		180000			
To net profit		180000			

3

	1520200	1520200

Profit and Loss Appropriation A/c of Star Hotels Ltd for the year ended March 31, 2017

Particulars	Amount	Amount	Particulars	Amount	Amount
To interim dividend		392500	By balance c/f		262500
			By net profit c/f		180000
<i>To balance b/f</i>		<i>50000</i>			
		442500			442500

Balance sheet of Star Hotels Ltd as on March 31, 2017

Liabilities	Amount	Amount	Assets	Amount	Amount
Share Capital			Fixed Assets		
<u>Authorized Capital</u>			Plant and machine	3300000	
600000 equity shares of 10 each		<u>6000000</u>	Less: 15% depreciation	(495000)	2805000
			Furniture		72000
			Goodwill		250000
<u>Issued Capital</u>			Premises		3000000
400000 equity shares of Rs 10 each	4000000				
Less: Calls in arrears	(75000)	3925000	Investments		
Reserves and Surplus			Current assets		
General reserve		250000	Debtors	870000	
<i>P/L appropriation a/c</i>		<i>50000</i>	Less: 5% RDD	(43500)	826500
			Cash in bank		399000
Secured Loans			Cash in hand		7500
12% debentures		3000000	Stock		950000
Unsecured Loans			Miscellaneous expenses		
			Preliminary expenses	50000	
Current liabilities			Less: Paid off	(5000)	45000
Bills payable		370000			
Interest on debentures o/s		180000			
Creditors		400000			
Provisions					
Provision for tax		180000			
		8355000			8355000

4

Question 3 – Part A – Theory Questions:

1. Students to elaborate on payroll, marketing and admin related expenses.
2. Students to explain the American plan, Modified American plan, European plan, Continental Plan and Bermuda Plan.
3. Students to give 5 points of distinction between guest weekly bills and visitors tabular ledger.

Question 3 – Part B – Uniform Accounting System:

In the books of BBC Hotels

Statement of income

Operating Departments	Sales	Cost of sales	Gross profit	Payroll Related Expenses	Other Expenses	Profit/Loss
Rooms	500000	160000	340000	40000	7000	293000
F&B	350000	50000	300000	15000	3000	282000
Other departments	25000	2000	23000	1000	5000	17000
Total	875000	212000	663000	56000	15000	592000
<u>Less: Undistributed operating expenses</u>						
Payroll related expenses				3000		
Data processing					200	
Gas, coal and electricity					300	
Advertising					350	
Repairs					500	
Conveyance					650	
Net Operating profit	875000	212000	663000	59000	17000	587000
<u>Less: Fixed Expenses</u>						
Maintenance fees					1200	
Depreciation					3800	
Rent					4000	
Net profit before tax	875000	212000	663000	59000	26000	578000
Less tax:					150000	
Net profit after tax	875000	212000	663000	59000	176000	428000

5

Question 4 – Part A – Theory Questions:

1. **Daily revenue report:** It is one such report that is to be prepared on daily basis. It is a systematic summary of all financial transaction. It not only contains revenue figures of all the revenue generating departments like housekeeping, front office, F&B outlets, engineering room sales plus it provides information about reconciliation of cash receipts, cash and bank balance position and outstanding against credit etc. It also provides cumulative year-to-date and month-to-date figure of the above mentioned departments. This enables the management to compare and reconcile the present sales figures with the MTD and YTD figures. It not only provides information of department sales figures but its further bifurcation. For example room sales will be further bifurcated into single room and double room sale. It will also provide information on the different forms of sales for example cash sales, credit sales etc. This report thus provides the management at a glance, complete and true picture of the revenue activities carried out by the hotel on a particular day.
2. **Delivery Challan:** Students to elaborate on delivery challan with a diagram.
3. **Standard costing:** Students to briefly explain standard costing with its merits and demerits.

Question 4 – Part B – Variance numerical problem:

1. **Calculation of variances:**

- $MCV = (SQ \times SP) - (AQ \times AP) = (1500 \times 2) - (800 \times 3.50) = 3000 - 2800 = 200 (F)$
- $MPV = AQ \times (SP - AP) = 800 \times (2.00 - 3.50) = -1200 (A)$
- $MUV = SP \times (SQ - AQ) = 2 \times (1500 - 800) = 1400 (F)$
- **Verification:** $MCV = MPV + MQV = -1200 + 1400 = Rs\ 200 (F)$

2. **Basic calculation**

SH of actual output	6000 (WN 1)
SP	2 per hour
AH used for actual output	8000
AP	Rs 2.5 per hour (WN 2)

Working Notes:

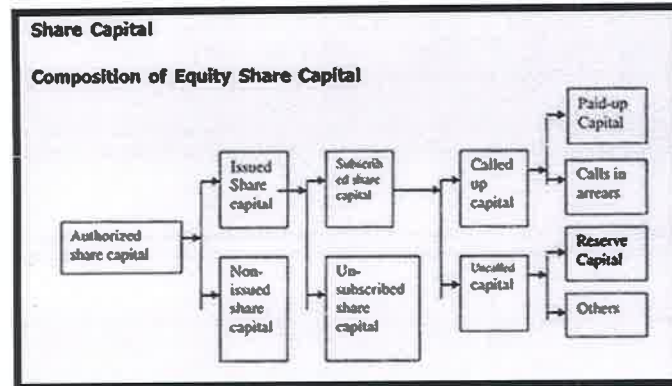
- **WN1 - Calculation for SH** $= 1.5 \times 4000/1 = 6000$
- **WN 2 - Calculation for AP** $= 20000/8000 = Rs\ 2.5$

Variance Calculation:

- $LCV = (SR \times SH) - (AR \times AH) = (2 \times 6000) - (2.5 \times 8000) = 12000 - 20000 = -8000 (A)$
- $LPV = AH \times (SR - AR) = 8000 \times (2.00 - 2.50) = -4000 (A)$
- $LEV = SP \times (SH - AH) = 2.00 \times (6000 - 8000) = -4000 (A)$
- **Verification:** $LCV = LPV + LEV = -4000 - 4000 = -8000$

Question 5

1. Students to mention the steps to prepare value paid out with a diagram.
1. Students to explain 24 hour basis, night basis and check-out time basis of billing the guests in details.
2. Students to draw the format of a restaurant bill and explain the same.
3. Structure of capital in a company:



1. Authorized capital: It is also known as registered/nominal capital. It is the maximum amount which company is authorized to raise. Alternatively it is the face value of the share which the company is authorized to issue. The authorized capital is stated in the memorandum of association. Generally company does not issue whole of its authorized capital at a time.
2. Issued capital: It is that part of authorized capital which is offered to the public for subscription (purchase). The balance which is not yet offered to the public is called un-issued capital.
3. Subscribed capital: It is that part of issued capital which is subscribed by the public. The balance which is not subscribed is called un-subscribed capital.
4. Called-up capital: It is that part of subscribed capital which is demanded by the company. The balance which is not yet demanded by the company is called uncalled-up capital.
5. Paid up capital: It is that part of called-up capital which is paid by the shareholders on whom the call was made. This amount is actually paid on shares by the members of the company. The amount which is not paid is known as calls in arrears.
6. Capital Reserve: The amount of capital which is reserved to call at the time of winding up of the company is called reserve capital. The purpose of reserve capital is to meet the interest of the creditors at the time of winding up of the company.
