

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR
OF CATERING AND HOTEL MANAGEMENT**

BCHM 431: PRINCIPLES OF HOSPITALITY FRANCHISE MANAGEMENT

STREAMS: BCHM Y4S2

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 18/04/2018

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

- Answer all questions in SECTION A and any other two in SECTION B.
- Do not write anything on the question paper.

SECTION A: (30 MARKS)

1. Explain the following terms used in franchising
 - (i) Master franchise (2 marks)
 - (ii) Franchisor royalty (2 marks)
 - (iii) Intellectual property. (2 marks)
2. Discuss FIVE types of franchising arrangements. (5 marks)
3. What is the importance of financial statements disclosure to the potential franchisee? (5 marks)
4. Explain FIVE reasons why the franchisor may terminate the agreement with the franchisee. (5 marks)
5. Discuss SIX common areas of conflict between franchisee and franchisor. (6 marks)
6. State whether the following statements are TRUE or FALSE
 - (i) The franchisor earns money through royalties and initial franchisee fees only
 - (ii) Technical businesses are not franchisable
 - (iii) A franchise agreement must be registered at a government registry.

SECTION B: Answer any TWO questions (40 marks)

7. (a) Discuss five alternatives to franchising that a business person can pursue when opening a new business. (10 marks)
- (b) Discuss FIVE disadvantages of franchising to the franchisee. (10 marks)
8. (a) Discuss the criteria for selecting a franchise. (10 marks)
- (b) Explain the key subjects in the franchise agreement. (10 marks)
9. The purpose of the disclosure document is to provide franchisees with information about the franchisor, the franchise system and the agreements. Explain the information that is found in the disclosure document. (20 marks)
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