

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF HOTEL  
MANAGEMENT

BCHM 463: HOSPITALITY FINANCIAL MANAGEMENT

STREAMS: BCHM (Y4S2)

TIME: 2 HOURS

DAY/DATE: MONDAY 14/04/2025

8.30 A.M. – 10.30 A.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 **SIX** financial challenges that the business of hospitality presents to managers and owners. **(6 marks)**
- 2) Describe **THREE** best-known uniform systems of accounts used in the hospitality industry. **(6 marks)**
- 3) Jenna borrowed \$150,000 from the Kenya Commercial Bank to start a fast-food business and agreed to pay the bank \$10,000 per year in interest expense. Additionally, Jenna raised another \$100,000 of equity from his brother Johnson and agreed to give him a 30 % ownership position in her fast-food business. Jenna projected annual cash flow before debt to be \$50,000. Calculate the cost of debt and equity for Jenna. **(6 marks)**
- 4) Highlight **SIX** readers of a hospitality company's financial statements. **(6 marks)**
- 5) Discuss **THREE** ways that a hotel can apply to minimize its working capital requirements. **(6 marks)**

**SECTION B: 40 MARKS**

- 6) Analyze **TEN** growth strategies that hospitality companies can use to achieve and sustain steady growth in earnings. **(20 marks)**
- 7) a) Discuss any **FIVE** primary sources of loans for a hospitality business. **(10 marks)**  
 b) Below is Crescendo Hotel's Income Statement for January 20, 2009. Use it to answer the questions that follow:

<b>Crescendo Hotel</b>		
<b>Income Statement</b>		
<b>January 20, 2009</b>		
	<b>Actual</b>	<b>M-T-D Budget</b>
Occupancy	75%	80%
Average Daily Room Rate	\$ 125.00	\$ 150.00
Revenue		
Rooms	\$ 843,750	\$ 1,080,000
Food	191,000	370,000
Beverage	141,000	185,000
Telephone	56,000	72,000
Other	20,000	30,000
Total Revenues	\$1,251,750	\$ 1,737,000
Departmental Expenses		
Rooms	\$ 425,000	\$ 375,000
Food and Beverage	265,000	280,000
Telephone	42,000	55,000
Other	12,000	5,000
Total Departmental Expenses	744,000	715,000
Departmental Profit	\$ 507,750	\$ 1,022,000
Unallocated Expenses		
Administrative and General	\$ 180,000	\$ 175,000
Marketing	65,000	125,000
Property Operations and Maintenance	30,000	98,000
Utilities	100,000	78,000
Total Unallocated Expenses	375,000	476,000
Gross Operating Profit	\$ 132,750	\$ 546,000
Fixed Costs		
Property Taxes	\$ 300,000	\$ 300,000
Building Insurance	50,000	50,000
Debt Service Payment	50,000	50,000
Reserve for Capital Improvements	—	70,000
Total Capital Expenses	400,000	470,000
Net Operating Profit (Loss)	(\$267,250)	\$76,000

- a) Utilizing the profit-flexing method to analyze the Hotel's income statement provided, explain how the company can reduce expenses or increase revenues to meet budgeted goals. **(4 marks)**
- b) Utilize cost-volume-profit analysis to determine how many rooms you would need to sell to reach the budgeted revenue goal of \$150 per room. Fixed costs for the hotel are \$470,000 per room, and the labor cost to maintain each room is \$40. **(8 marks)**
- c) Now pretend you are Ms. Samuelson and the owner requests that you increase net operating profit to \$300,000. Is this attainable if Crescendo Hotel only has 125 rooms? (*Hint: Use the desired volume calculation.*) **(8 marks)**

8) The Canyon Hotel and Meeting Center is a popular property among the many local corporations that hold meetings there. This hotel is conveniently located near a major metropolitan area, with easy access from several major highways. Because majority of the business is done during the day, room totals do not tend to coincide with food sales and the number of meeting guests. For example, on November 20, the hotel sold 213 rooms and 703 food covers, and serviced 512 meeting guests.

Mr. Stan Domla is the general manager of the Canyon Hotel, and one of his responsibilities is to review the daily payroll report created by the department heads at the property. Mr. Domla has to check the reports for inconsistencies and make sure each department is meeting its budgeted goals. Not only does he need to look at today's numbers but also at the month-to-date calculations to determine if there are any trends. As of November 20, the Canyon Hotel and Meeting Center sold 1,593 rooms and 11,980 covers, and serviced 3,645 meeting guests.

Daily Payroll Report  
Canyon Hotel and Meeting Center  
November 20, 2009

Category Rooms	Daily		Hours	Daily		Labor Cost	Month-to-Date				M-T-D	Labor Cost	Budget
	Regular	Overtime		Total	Payroll \$		Cost/Room	Regular	Overtime	Total			
Front Desk	46.02	0.50	46.52	\$694.53		698.58	9.00	707.58	\$10,574.44				\$5.68
Reservations	18.01	0.00	18.01	\$285.64		273.39	0.00	273.39	\$4,335.99				\$2.75
Guest Services	26.70	1.08	27.78	\$324.55		405.31	16.20	421.51	\$4,923.28				\$3.00
Housekeeping	125.00	4.32	129.32	\$1,388.43		1,897.50	86.40	1,983.90	\$21,406.18				\$12.87
<b>Total Rooms</b>													

Food and Beverage					Cost/Cover					Cost/Cover	Cost/Cover
Banquet Service	60.53	3.06	63.59	\$969.64		918.85	105.32	1,024.17	\$16,033.93		\$2.91
In-room Dining	24.00	0.00	24.00	\$173.52		364.32	16.00	380.32	\$2,807.55		\$9.87
Greenleaf Restaurant	105.35	0.00	105.35	\$1,107.23		1,599.21	12.35	1,611.56	\$17,002.43		\$3.81
Flower Café	18.95	0.00	18.95	\$113.70		287.66	6.08	293.74	\$1,780.69		\$6.72
General	233.84	3.16	237.00	\$3,514.28		7,597.18	143.27	7,740.45	\$115,072.08		\$0.78
<b>Total F&amp;B</b>											

Meetings					Cost/Meeting Gst					Cost/Meeting Gst	Cost/Meeting Gst
Meeting Management	42.40	2.35	44.75	\$1,044.79		466.40	32.05	498.45	\$11,704.31		\$3.25
Audio-visual	56.00	0.00	56.00	\$911.12		616.00	3.60	619.60	\$10,110.18		\$3.46
Meeting Attendants	96.00	3.65	99.65	\$527.67		1,056.00	65.32	1,121.32	\$6,000.70		\$1.45
Meeting Floor	116.35	0.00	116.35	\$1,790.63		1,279.85	0.00	1,279.85	\$19,696.89		\$5.60
Meeting Concierge	107.25	4.09	111.34	\$1,374.23		1,179.75	12.05	1,191.80	\$14,517.64		\$2.32
<b>Total Meetings</b>											

Note: Cost/Cover for In-room Dining = \$9.83 and \$3.85 for Greenleaf Restaurant

**Required:**

- a) Calculate the labor cost per unit for November 20 and the month-to-date labor cost per unit, and then total each column. (Fill in the gray shaded areas in the daily payroll report provided.) **(10 marks)**
- b) Analyze the daily payroll report, noting any major departures from the budgeted amounts. **(6 marks)**
- c) If you were the general manager for this property, what actions would you take and why? **(4 marks)**