



MAASAI MARA UNIVERSITY
REGULAR UNIVERSITY EXAMINATIONS
2023/2024 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER
SCHOOL OF NATURAL RESOURCE
TOURISM AND HOSPITALITY
BACHELOR OF HOSPITALITY MANAGEMENT

COURSE CODE: HHM 4143-1

**COURSE TITLE: HOSPITALITY FINANCIAL
MANAGEMENT**

DATE:

TIME:

INSTRUCTIONS TO CANDIDATES

Answer Question **ONE** and any other **TWO** questions

*This paper consists of **FOUR** printed pages. Please turnover.*

QUESTION ONE

- a) Discuss **FOUR** source of debt finance to a firm in the Hospitality Industry
(4 marks)
- b) Using an illustration discuss **FOUR** characteristics of a good budget
(4 marks)
- c) Discuss the **FOUR** professional functions of a finance manager in the business organization.
(4 marks)
- d) Identify and discuss any four classes of ratios used in financial statement analysis.
(8 marks)

QUESTION TWO

- a) Working capital is the life blood of any hospitality business. Discuss **FIVE** significances of working capital.
(5marks)
- b) Shadrack Chando borrowed Sh.800,000 from XYZ commercial bank at an interest rate of 1.25% compounded monthly. The loan is to be amortized using the reducing balance method and be repaid in 12 equal monthly installments payable at the end of each month.

Required:

A loan amortization schedule (10 marks)

QUESTION THREE

- a) Bamba Ltd. has constructed a commercial building in an up-market location in your capital city which the management intends to sell at Ksh. 8,400,000. However, a prospective tenant has offered to rent the offices for 8 years at a fixed annual rent of Sh. 160,000. At the end of the eighth year, the building will be sold. A real estate adviser estimated that the price of the building will increase by 3% per annum. The company's cost of capital is 5%. Advise the management of Bamba Ltd. on whether to sell the building now or rent out the offices.
(10 marks)

- b) Any hospitality business firm would have certain objectives which it aims at achieving. Discuss five major goals of a hospitality firm. **(5 marks)**

QUESTION FOUR

- a) Discuss five major causes of conflict between shareholders and management **(5 marks)**
- b) You are a financial analyst for Ziwani Hotel. You have been asked to analyse two proposed capital investments project X and project Y. The cost of project X is Ksh. 800,000 million while for project Y is Ksh. 850,000 million. The projects expected net cash flows are as follows:

Year	Project X Kshs.millions	Project Y Kshs.millions
1	420,000	190,000
2	120,000	90,000
3	320,000	120,000
4	180,000	220,000
5	80,000	120,000
6	50,000	320,000

The company's required rate of return is 10%. Assuming that the projects are mutually exclusive advice the one to choose the following evaluation techniques.

- i) Payback period (assume a maximum acceptable payback period of 4 years) **(2 marks)**
- ii) Discounted Payback period **(3 marks)**
- iii) Net present value. **(5 marks)**

