UNIVERSITY OF COLOMBO
FACULTY OF ARTS
DEPARTMENT OF ECONOMICS

POSTGRADUATE DIPLOMA IN TOURISM ECONOMICS AND HOTEL MANAGEMENT

(6th Batch)

FINAL EXAMINATION - 2018
(Semester-II)

DTEHM C507: Statistical Analysis and Accountancy

Time Allowed: THREE [3] HOURS

Answer ALL Questions

Each Question Carries Equal Marks

Question (1).

a) Critically analyse the role of accounting in small medium scale businesses in Sri Lanka. (With special reference to Hotel Sector) (4 Marks)

b) Briefly explain the limitations of Financial Accounting (4 Marks)

c) Briefly explain the following basic Accounting Concepts,

- Realization concept
- Materiality concept
- Going concern concept
- Entity Concept (4 Marks)

d) "Management Accounting provides immense help in management decision making" Discuss the above statement with the aid of an example. (4 Marks)

e) Briefly explain the difference between Direct cost and Indirect cost of a production process. (4 Marks)

Question (2)

a) Briefly explain the difference between **Variable cost** and **Semi Variable Cost** with the aid of an example. (4 Marks)

b) The following transactions are taken from Income statement for the financial year end March 31st 2017 of Bird View Restaurant Ltd. (Rs.'000)

Sales (50% on credit basis)		9,000
Less-Cost of Sales		5,540
Gross profit		3,460
Selling Expenses	1,200	
Administrative expenses	920	
Financial/Interest expenses	270	(2,390)
Net profit before tax		1,070
Income tax		(375)
Net profit after tax		695
Dividends payments – Preference		(120)
		575

Balance Sheets as at March 31st 2017 (Rs. '000)

	2016	**2015**
Non-current Assets		
Plant and equipment (net)	4,200	3,900
Current Assets;		
Inventory	1,100	1,140
Trade debtors (net)	900	1,000
Prepaid expenses	80	70
Cash at bank	300	280
	2,380	2,490
Total Current Assets	6,580	6,390
Share Holders Equity		
Share capital -(Rs.1.00 ordinary share)	1,200	1,200
- (Rs.1.00, 15% preference share)	800	800
Reserve accounts	1,010	1,010
Retained Profits	470	210
Total Equity	3,480	3,220
Non- current Liabilities		
15% Bank Loan	1,800	1,800
Current Liabilities		
Trade Creditors	1,280	1,320
Accrued expenses	20	50
Total Current Liabilities	1,300	1,370
Shareholders equity and Liabilities	6,580	6,390

Additional information;

- Dividend payment during the year 2016 was : Rs. 435,000/=
- Market price per share on 31st March 2017: Rs. 3.25

You are required to prepare the relevant ratios which mentioned below.

(a).Quick ratio
(b).Current Ratio
(c).Equity ratio
(d).Accounts receivable turnover ratio
(e).Dividend payout ratio
(f). Earnings Per share

(16 Marks)

Question (3).

a) Briefly explain the objectives of the financial management. (3 Marks)

b) The Kandy Crafts Ltd is a craft manufacturer, makes 250 crafts each week and its costs are as follows:

- Direct materials Rs: 5,000
- Direct labour Rs: 6,000
- Production overheads Rs: 7,000

Investigations into the behaviour of costs have revealed the following information:

- Direct materials are variable costs
- Direct labour is a variable cost of the production overheads, Rs: 3,000 is a fixed cost, and the remainder is a variable cost.

The selling price of each craft is Rs : 450.

As an accounts assistant at the Kandy Crafts Ltd, you are asked to:

- Calculate the marginal cost of producing each craft
- Show the expected contribution per craft
- Prepare a marginal costing statement to show clearly the total contribution and the total profit for a period of 01 month. (12 Marks)

c) Following data relates to Divine Food Ltd for the Month of June 2017.

- Sales (4,500 units @ $20/unit): $90,000
- Contribution margin per unit: $11.5
- Total fixed expenses for the month: $13,500

There was no opening and closing finished goods inventory in stock.

Calculate margin of safety for the Divine Food Ltd using above data.

(5 Marks)

Question (4)

a) Analyse the difference between **Continues Variable** and **Discrete Variable** with the aid of an example. (4 Marks)

b) Mr. Amal Karunanayake is a national tourist guide who works in Spence Guide Travel Ltd, uses his mobile phone only for outgoing calls to keep the connection with the inbound tourists. He receives 1200 min free per month for such calls. The table gives information related to the time duration of 45 such outgoing calls.

Duration of call	Number of Calls
0-4	8
4-8	10
8-12	11
12-16	7
16-20	5
20-24	4

(a). What is the model class of this group

(b). Find the mean duration of a call to the nearest minute.

(c). Suppose that Mr. Amal takes only 90 calls during certain month, show that he can expect his free call duration not to be exceeded under the given limits.

(d). Assuming that the monthly fixed call charge Rs : 450 that in a certain month, 130 calls have been taken and that the charge for each minute that exceeds the free call duration of 1200 minutes is Rs:3.50,

What Could his telephone bill expected to be for the month. (16 Marks)

Question (5)

a) Discuss the benefits on investing shares in the equity market. (04 Marks)

b) Analyze the factors determining the share price of a listed company in the Hotels and Travel sector of Colombo Stock Exchange (CSE) (04 Marks)

c) Explain the term of **Primary Market** and the **Secondary Market** in the Stock Exchange. (04 Marks)

d) Mr. Saman Ranasinghe is a front office manager of Dalin Hotel Group of Companies. He expects to buy shares of face value Rs: 50 of a listed company in the hotel and travel sector, which pays 10 % dividend annually.
At what price can he buy each share from the secondary market if his profit is 16 % on his investment. (04 Marks)

e) Write a short note for the following Types of Securities. (04 Marks)

   i. Ordinary Share
   ii. Preference share
   iii. Treasury Bills
   iv. Treasury Bonds

Ratio Formulae

$$\text{Quick Ratio} = \frac{\text{Cash + Marketable Securities + Receivables}}{\text{Current Liabilities}}$$

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventories} - \text{Prepayments}}{\text{Current Liabilities}}$$

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Equity Ratio} = \frac{\text{Share Holder's Equity}}{\text{Total assets}}$$

$$\text{Equity Ratio} = \frac{\text{Equity}}{\text{Assets}}$$

$$\text{Accounts Receivables Turnover Ratio} = \frac{\text{Net Credit Sales}}{\text{Average Accounts Receivable}}$$

$$\text{Dividend Payout Ratio} = \frac{\text{Dividends Paid}}{\text{Net Income}} \quad \textbf{OR} \quad \frac{\text{Dividend per Share}}{\text{Earnings per Share}}$$

$$\text{EPS Ratio} = \frac{\text{Net Income} - \text{Preferred Dividends}}{\text{Average number of common shares outstanding}}$$