**INSTITUTE OF HOTEL MANAGEMENT**

**AND CATERING TECHNOLOGY**

MINISTRY OF TOURISM, GOVERNMENT OF INDIA

**STUDY MATERIAL**

**HOTEL**

**ACCOUNTANCY**

**Third/Fourth Semester BSc. Hospitality and Hotel Administration**

**BHM 206**

**STUDY MATERIAL**

**HOTEL**

**ACCOUNTANCY**

**(Third Semester B.Sc. Hospitality and Hotel Administration)**

***Compiled by:***

**DR. J. PREMCHAND, M.Com,. LLM, Ph.D,. PGDIL, P GDBCL.**

**INSTITUTE OF HOTEL MANAGEMENT AND CATERING**

**TECHNOLOGY**

**KOVALAM, THIRUVANANTHAPURAM-695 527**

**(AN ISO 9000:3000 Certified Institute)**

***CERTIFICATE***

*This is to certify that Mr./Ms.......................................................................*

*A student of III Semester B.S c (HHA)of this Institute has completed this work book as per the syllabus of NCHMCT, Noida*

Date:.................................... Dr. J. PREMCHAND

(Sr. Lecturer)

**NATIONAL COUNCIL FOR HOTEL MANAGEMENT &**

**CATERING TECHNOLOGY**

**A-34, Sector 63, NOIDA 201 309**

**ACADEMIC CALENDAR 2012-2013**

**B. Sc IN HOSPITALITY & HOTEL ADMINISTRATION**

**SEMESTER – I**

|  |  |  |
| --- | --- | --- |
| Teaching at Institute | Mon, 01 Aug 13 to Sun, 18 Nov 12 | 16 weeks |
| Team End Examinations | Mon, 19 Nov 12 to Sun, 09 Dec 12 | 03 weeks |

**SEMESTER – II**

|  |  |  |
| --- | --- | --- |
| Teaching at Institute | Mon, 10 Dec 12 to Sun, 23 Dec 12 | 02 weeks |
| Vacation | Mon, 24 Dec 12 to Sun, 06 Jan 13 | 02 weeks |
| Teaching at Institute | Mon, 07 Jan 13 to Sun, 21 Apr 13 | 15 weeks |
| Team End Examinations | Mon, 22 Apr 13 to Sun, 13 May 13 | 03 weeks |

**SEMESTER – III (GROUP-I)**

|  |  |  |
| --- | --- | --- |
| 100 Days Industrial Training | Mon,16 July 12 to Sun, 25 Nov 12 | 21 weeks |
| Team End Examinations | Mon,12 Nov 12 to Sun, 02 Dec 12 | 01 weeks |

**SEMESTER-III (GROUP – II)**

|  |  |  |
| --- | --- | --- |
| Teaching at Institute | Mon, 16 July 12 to Sun, 11 Nov 12 | 17 weeks |
| Term End Examination | Mon, 12 Nov 12 to Sun, 02 Dec 12 | 03 weeks |

**SEMESTER - IV (GROUP - I)**

|  |  |  |
| --- | --- | --- |
| Teaching at Institute | Mon , 03 Dec 12 to Sun, 23 Dec 12 | 03 weeks |
| Vacation | Mon, 24 Dec 12 to Sun, 06 Jan 13 | 02 weeks |
| Teaching at Institute | Mon, 07 Jan 13 to Sun, 14 Apr 13 | 14 weeks |
| Term End examinations | Mon, 15 Apr 13 to Sun, 05 may 13 | 03 weeks |

**SEMESTER – IV (GROUP – II)**

|  |  |  |
| --- | --- | --- |
| 100 days Institute | Mon, 03 Dec 12 to Sun, 28 Apr 13 | 21 weeks |
| Term End Examinations | Mon, 29 Apr 13 to Sun, 02 Dec 12 | 01 weeks |

**SEMESTERN - V**

|  |  |  |
| --- | --- | --- |
| Teaching at Institute | Mon, 16 July 12 to sun, 11 Nov 12 | 17 weeks |
| Term End Examinations | Mon, 12 Nov 12 to Sun, 02 Dec 12 | 03 weeks |

**SEMESTER – VI**

|  |  |  |
| --- | --- | --- |
| Teaching at Institute | Mon, 03 Dec 12 to Sun, 23 Dec 12 | 03 weeks |
| Vacation | Mon, 24 Dec 12 to Sun, 06 Jan 13 | 02 week s |
| Teaching at Institute | Mon, 07 Jan 13 to Sun, 14 Apr 13 | 14 weeks |
| Term End Examinations | Mon, 15 Apr 13 to Sun, 05 May 13 | 03 weeks |

**HOTEL ACCOUNTANCY**

**Rationale:**  Application and use of accounting and costing principles and techniques in the hospitality industry. Emphasis mainly based on the practical solution approach in the day situation.

**Objectives**: The student’s should be able to prepare financial statements in accordance with uniform system of accounts for hotels. An approach to internal control of the operation of the hotel could be developed.

SYLLABUS – HOTEL ACCOUNTANCY

Sub Topic

Sl. No. Topic page

1. Uniform system of

Accounts for Hotel 👉 Introduction to Uniform system of accounts 01-60

👉 Contents of the income statement (Consolidated)

👉 Practical problems

👉 Contents of the Balance sheet under USAH

(Vertical method)

👉 Practical problems

👉 Departmental income statement and

Expense statements (Schedules 1 to 16)

👉 Practical Problems

2. Internal Control 👉 Definition and objective of Internal control 61-64

👉 Characteristics of internal control

👉 Implementation and review of internal control

3. Internal Audit and

Statutory Audit 👉 An introduction to internal and statutory audit 65-75

👉 Distinction between internal audit and

Statutory audit

👉 Implementation and review of internal audit

4. Departmental Accounting 👉 An introduction to departmental accounting 76-103

👉 Allocation and apportionment of expense

👉 Advantages and Drawbacks of both

👉 Basis of allocation

👉 Practical problems

NCHMCT Question papers (Theory Only) – 1991 – 2010 104-123

**SUGGESTED REFERENCES**

1. Understanding Uniform System of Accounting - AHMA, U.S.A.

2. Management Accounting - AHMA, U.S.A.

3. Principles of Auditing – Dr. T.R. Sharma

4. Auditing – Tandon

5. Advanced Accountancy – P.S. N. Pillai & Bhagavathy

6. Instructor’s Manuel of - NCHMCT, Noida.

7. Front office Training Manual - Sudhir Andrews.

TABLE OF DETAINED CO NTENTS (Problems)

|  |  |  |
| --- | --- | --- |
| Sl. N o. | Topic | No. of Problems |
| 1 | UNIFORM SYSTEM OF ACCOUNTING |  |
|  | Income Statement | 23 |
|  | Rooms Schedule | 10 |
|  | Food and beverage Schedule | 10 |
|  | Balance Sheet ( AHLA) | 04 |
|  | Balance Sheet - Misc | 04 |
| 2 | DEPARTMENTAL ACCOUNTING |  |
|  | Gross Profit method | 03 |
|  | Net profit method | 19 |
|  | G rand Total | 73 |

Analysis of question paper - TEE 2010.

Problems- 45 marks

Theory - 55 marks

**Total 100 Marks**

**ACADAMIC PERFORMANCE OF HOTEL ACCOUNTANCY**

**IN ANNUAL EXAMINATION**

**(1992 – 2010)**

|  |  |
| --- | --- |
| **Year** | **Pass%** |
| **1992** | **95** |
| **1993** | **100** |
| **1994** | **94** |
| **1995** | **71** |
| **1996** | **100** |
| **1997** | **88** |
| **1998** | **100** |
| **1999** | **100** |
| **2000** | **98** |
| **2001** | **95** |
| **2002** | **94** |
| **2003** | **100** |
| **2004** | **94** |
| **2005** | **100** |
| **2006** | **100** |
| **2007** | **100** |
| **2008** | **100** |
| **2009** | **100** |
| **2010** | **99** |
| **2011** | **99** |

**Source : NCHMCT, Noida.**

**1**

**UNIFORM SYSTEM OF ACCOUNTING**

Uniform accounts means maintaining books of accounts and preparation of final accounts by similar type of organization in the same manner as directed by an agency or association which design the system.

The most successful uniform system was introduced by the Federation of Master Printers (U.S.A) in 1911.

In March 1926, the Hotel Association of New York city adopted and recommended to the members a newly formulated uniform system of accounts for hotels.

In September 1926, America hotel & Motel Association of the United States & Canada adopted the same.

**Necessities or pre conditions for installing U.S.A**

1. **Uniformity in Accounting Records**:- Both subsidiary books and ledger accounts kept by the participants must be uniform in layout and enable the recording of all transactions in a predetermined manner.

2. **High degree of standardisation** in recording of all income and expenses

3. **Uniformity of accounting** in matters such as valuing fixed assets, methods of depreciation, valuation of stock etc.

**Four different system**

1. U.S.A for Hotels (USAH)

2 U.S.A for Small Hotels (USASH)

3 U.S.A for Motels (USAM)

4 U.S.A for Restaurants (USAR)

**Advantages**

1. Simple to use

2. Combination is easy

3. Helps departmentalization

4. Statistics

**Disadvantages**

1. Standardization of accounting methods and procedures is always difficult.

2. Clearly it is impossible to have one system of uniform accounts for all the different types of establishments (hotel, restaurants, canteen etc).

**Schedules**

Individual statements prepared for various departments. Giving details of income and expenses connected to that area. These schedules are prepared departments, wise or heads of account wise.

**AH MA Prescribes the following schedules:-**

1. Rooms schedules

2. F&B Schedule

3. Telephone schedule

4. Gift shop schedule

5. Garage & Parking schedule

6. Other operated departments schedule

7. Rentals & Other income schedule

8. Administrative & General schedule

9. Data Processing schedule

10. Human Resource schedule

11. Transportation schedule

12. Marketing schedule

13. Property Operation & Maintenance Schedule

14. Energy cost schedule

15. Fixed Charges schedule

16. Income Tax schedule

17. Salaries & Wages schedule

18. Pay Roll Taxes & Employees Benefits Schedule

19. House laundry schedule

20. Resale of telephone services schedule

**DETAILED STUDY OF INCOME STATEMENT**

**A B C**

**FIXED EXPENSES**

1. Rent

2. Interest

3. Depreciation and

Amortization

4. Property taxes and

insurances

**UNDISTRIBUTED**

**DEPERATING EXPENSES**

1. Administration &

General

2. Data Processing

3. Human resources

4. Transportation

5. Marketing

6. Property operation &

Maintenance

7. Energy Cost

**OPERATED DEPARTMENTS**

**OF A HOTEL**

1. Rooms

2. Food& Beverage

3. Telephone

4. Gift Shop

5. Garage & Parking

6. Other operated Dept.

7. Rental & Other Income

**Net income = (A – B - C)**

**STATEMENT OF INCOME – FORMAT**

(Uniform system of Accounting)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **PARTICULARS** | **Schedule** | **Net**  **Revenue**  **Rs.** | **Cost**  **of**  **Sales**  **Rs.** | **Payroll**  **and**  **Related**  **Expenses**  **Rs.** | **Other**  **Expenses**  **Rs.** | **Income  (Loss)**  **Rs.** |
| **OPERATED DEPARTEMENTS** |  |  |  |  |  |  |
| Rooms |  | xxx | xxx | xxx | xxx | xxx |
| Food & Beverages |  | xxx | xxx | xxx | xxx | xxx |
| Telephone |  | xxx | xxx | xxx | xxx | xxx |
| Gift shop |  | xxx | xxx | xxx | xxx | xxx |
| Garage and Parking |  | xxx | xxx | xxx | xxx | xxx |
| Other Operated Departments |  | xxx | xxx | xxx | xxx | xxx |
| Rental and Other Income |  | xxx | - | - | - | xxx |
| Total Operated Departments |  | xxx | xxx | xxx | xxx | xxx |
| Less: UNDISTRIBUTED OPERATING EXPENSES |  |  |  |  |  |  |
| **Administrative and General** |  | - | - | xxx | xxx | xxx |
| Data Processing |  | - | - | xxx | xxx | xxx |
| Human Resource |  | - | - | xxx | xxx | xxx |
| Transportation |  | - | - | xxx | xxx | xxx |
| Marketing |  | - | - | xxx | xxx | xxx |
| Property Operation and Maintenance |  | - | - | xxx | xxx | xxx |
| Energy costs |  | - | - | xxx | xxx | xxx |
| Total Undistributed Operating Expenses |  | - | - | xxx | xxx | xxx |
| **INCOME BEFORE FIXED CHARGES** |  | xxx | xxx | Xxx | xxx | xxx |
| Less: FIXED CHARGES |  |  |  |  |  |  |
| Rent Property taxes and insurance |  |  |  |  |  |  |
| Interest, expense |  | - | - | - | - | xxx |
| Depreciation and amortization |  | - | - | - | - | xxx |
| Total |  | - | - | - | - | xxx |
| **Income before Income tax and gain**  **or loss on sale of property / fixed**  **assets** |  | - | - | - | - | xxx |
| Gain (+)/Loss (-) on sale of property |  | - | - | - | - | xxx |
| Income before Income tax |  | - | - | - | - | xxx |
| Less: Income tax |  | - | - | - | - | xxx |
| **NET INCOME** |  | - | - | - | - | xxx  ==== |

**INCOME STATEMENT AT A GLANCE**

Total operated dept. Income \*\*\*

***Less undistributed operating expense*** \*\*\*

Income before fixed charges \*\*\*

***Less fixed charges*** \*\*\*

Income before income tax \*\*\*

And gain (+) or loss (-) sale of property/

fixed assets \*\*\*

Income before income tax \*\*\*

***Less income tax*** \*\*\*

NET INCOME \*\*\*

**ROOMS SCHEDULE (FORMAT)**

|  |  |
| --- | --- |
| Particulars | Amount (Rs.) |
| **REVENUE** | XXX |
| Transient –Regular | XXX |
| Transient –Group | XXX |
| Permanent | XXX |
| Other | XXX |
| **TOTAL REVENUE** | **XXX** |
| Less Allowance | XXX |
| **NET REVENUE – (A)** | **XXX** |
| Less EXPENSES | XXX |
| Salaries and wages | XXX |
| Employee Benefits | XXX |
| Commissions | XXX |
| Contract cleaning | XXX |
| Guest transportation/ laundry and  Dry cleaning | XXX |
| Linen | XXX |
| Operating Supplies | XXX |
| Reservation | XXX |
| Uniforms | XXX |
| Other | XXX |
| **Total Other Expenses – (B)** | **XXX** |
| DEPARTMENT INCOME (LOSS)  (A-B) | **XXX** |

|  |  |  |  |
| --- | --- | --- | --- |
| PARTICULARS | FOOD  Rs | Beverage Rs | Total  Rs |
| **REVENUE** | xxx | xxx | xxx |
| LESSL Allowance | xxx | xxx | xxx |
| **NET REVENUE** | xxx | xxx | xxx |
| LESS; Cost of food and beverage sales | xxx | xxx | xxx |
| ADD other income | ---- | ---- | xxx |
| **GROSS PROFIT- (A)** | xxx | xxx | xxx |
| Less Expenses |  |  | xxx |
| Salaries and Wages |  |  | xxx |
| Employee benefits |  |  | xxx |
| China, glassware, silver and linen |  |  | xxx |
| Contract cleaning |  |  | xxx |
| Kitchen fuel |  |  | xxx |
| Laundry and Dry cleaning |  |  | xxx |
| Licenses |  |  | xxx |
| Music and Entertainment |  |  | xxx |
| Operating Supplies |  |  | xxx |
| Uniforms |  |  | xxx |
| Other |  |  | xxx |
| **TOTAL EXPENSES-(B)** |  |  | **xxx** |
| **DEPARTMENTAL INCOME (Loss)**  **A-B** |  |  | **xxx**  **====** |

**FOOD AND BEVERAGE SCHEDULE (FORMAT)**

|  |  |
| --- | --- |
| **REVENUE** | **Rs** |
| Local |  |
| Long Distance |  |
| Service Charges |  |
| Pay station |  |
| **Total Revenue** |  |
| Less: Allowances |  |
| **NET REVENUE** |  |
| LESS: Cost of Calls |  |
| **GROSS PROFIT (LOSS)-A** |  |
| Less: Expenses |  |
| Salaries and Wages |  |
| Employee Benefits |  |
| Printing and Stationary |  |
| Uniforms |  |
| Other |  |
| **TOTAL EXPENSES- B** |  |
| **DEPARTMENTAL INCOME (Loss)** |  |

**TELEPHONE SCHEDULE**

**BALANCE SHEET (USAH) (FORMAT)**

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Amount (Rs) | Particulars | Amount (Rs) |
| **CURRENT ASSETS** |  | **CURRENT LIABILITIES** | xxx |
| Cash | xxx | Bills Payable | xxx |
| Bank | xxx | Notes payable | xxx |
| Marketable Securities | xxx | Outstanding expenses | xxx |
| Receivables | xxx | **LONG TERM DEBT** |  |
| Inventories | xxx | Share capital | xxx |
| Prepaid expenses | xxx | Owner’s equity | xxx |
| Others | xxx | Profit and Loss account | xxx |
| **INVESTMENTS (Long term)** | xxx | General Reserve | xxx |
| **PROPERTY AND**  **EQUIPMENTS** | xxx | Capital Reserve | xxx |
| Land | xxx |  |  |
| Builders | xxx |  |  |
| Leasehold premises | xxx |  |  |
| Furniture and Equipments | xxx |  |  |
| China, Glassware, silver, linen and uniforms | xxx |  |  |
| **OTHER ASSETS** | xxx |  |  |
| Deferred revenue expenditure | xxx |  |  |
| **TOTAL** | **xxx** | **TOTAL** | **xxx** |

**PROBLEM BASED ON INCOME STATEMENT –(USAH)**

|  |  |
| --- | --- |
| **ROOMS** | **Rs.** |
| Net Revenue | 37,28,168 |
| Payroll & related expenses | 10,51,349 |
| Other expenses | 4,10,099 |
| **FOOD AND BEVERAGE** |  |
| Net Revenue | 14,23,580 |
| Cost of Sales | 3,73,864 |
| Payroll & related expense | 8,21,050 |
| Other expense | 1,53,747 |
| **TELEPHONE** |  |
| Net Revenue | 2,04,136 |
| Cost of Sales | 2,93,440 |
| Payroll & related expense | 40,332 |
| Other expense | 4,695 |
| Rental Other Income | 16,116 |
| **ADMINISTRATIVE & GENERAL** |  |
| Payroll & related expense | 1,62,863 |
| Other expense | 1,64,829 |
| **MARKETING** |  |
| Payroll & related expense | 48,348 |
| Other expense | 96,696 |
| **PROPERTY OPERATION, MAINTENANCE**  **& ENERGY COST** |  |
| Payroll & related expense | 1,86,553 |
| Other expense | 4,84,947 |
| **FIXED CHARGES** |  |
| Property taxes & insurance | 1,93,392 |
| Depreciation & Amortization | 3,59,924 |
| Interest | 2,63,020 |

Q.1. From the following information extracted from the Books of East Inn, prepare statement of income according to USAH for the year ended 31st December 1992

**(TEE-1990)**

**Q.2.** The following balance were extracted from the accounts of Blue Moon Hotel at 31st December, 19....Prepare Income Statement in accordance with the Uniform System accounting introduced by AHMA.

|  |  |
| --- | --- |
| **Rooms Department** | **Rs.** |
| Net Sales | 6,00,000 |
| Payroll & related expenses | 20,000 |
| Other expenses | 50,000 |
| **Food & Beverage Department** |  |
| Net Sales | 4,00.000 |
| Food & Beverage Cost | 1,60,000 |
| Payroll & related expense | 40,000 |
| Other expenses | 20,000 |
| **Telephone Department** |  |
| Net revenue | 40,000 |
| Cost of calls | 10,000 |
| Payroll & related expense | 10,000 |
| Other expense | 5,000 |
| **Transportation Department** |  |
| Net Revenue | 25,000 |
| Payroll & related expense | 15,000 |
| Other expense | 10,000 |
| Administrative and General |  |
| Payroll & related expense | 50,000 |
| Other expense | 10,000 |
| **Property Operation, Maintenance and**  **Energy Cost** |  |
| Payroll & related expense | 25,000 |
| Other expense | 10,000 |
| **Marketing Department** |  |
| Payroll & related expense | 20,000 |
| Other expense | 5,000 |
| **Other Fixed Expense** |  |
| Rent, Rates & Taxes | 20,000 |
| Depreciation | 20,000 |
| **Other Income ;-** |  |
| Rental and others | 1,00,000 |
| Profit on Sale of fixed assets | 25,000 |

**(TEE- 1991)**

**Q.3. The following balance were extracted from the accounts of the Blue lagoon Hotel Pvt. Ltd. at 31st Dec, 19....Prepare income Statement in accordance with the Uniform System of Accounting introduced by the AHMA.**

|  |  |
| --- | --- |
| **Rooms Department** | **Rs.** |
| Net Sales | 3,00,000 |
| Payroll & related expenses | 10,000 |
| Other expenses | 25,000 |
| **Food & Beverage Department** |  |
| Net Sales | 2,00.000 |
| Food & Beverage Cost | 80,000 |
| Payroll & related expense | 20,000 |
| Other expenses | 10,000 |
| **Telephone Department** |  |
| Net revenue | 20,000 |
| Cost of calls | 5,000 |
| Payroll & related expense | 5,000 |
| Other expense | 2,500 |
| **Transportation Department** |  |
| Net Revenue | 12,500 |
| Payroll & related expense | 7,500 |
| Other expense | 5,500 |
| **Administrative and General** |  |
| Payroll & related expense | 25,000 |
| Other expense | 5,000 |
| **Property Operation, Maintenance and**  **Energy cost** |  |
| Payroll & related expense | 25,000 |
| Other expense | 10,000 |
| **Marketing Department** |  |
| Payroll & related expense | 10,000 |
| Other expense | 2,500 |
| **Other Fixed Expense** |  |
| Rent, Rates & Taxes | 10,000 |
| Depreciation | 10,000 |
| **Other income** |  |
| Rental & Others | 50,000 |
| Profit on sale of fixed assets | 12,500 |

**(TEE-1992)**

**Q. 4. T**he following balances were extracted from the accounts of the Dalmia Ltd, at 31st Dec, 19--------Prepare income statement in accordance with the Uniform System of Accounting introduced by the AHMA.

|  |  |
| --- | --- |
| **Room Department:** | **Rs.** |
| Net Sales | 12,00,000 |
| Payroll & related expenses | 40,000 |
| Other expenses | 1,00,000 |
| **Food & Beverage Dept.** |  |
| Net Sales | 8,00,000 |
| Food & Beverage Cost | 3,20,000 |
| Payroll & related expense | 80,000 |
| Other expenses | 40,000 |
| **Telephone Department** |  |
| Net revenue | 80,000 |
| Cost of calls | 20,000 |
| Payroll & related expense | 20,000 |
| Other expenses | 10,000 |
| **Transportation Department** |  |
| Net Revenue | 50,000 |
| Payroll & related expense | 30,000 |
| Other expense | 20,000 |
| **Administrative and General** |  |
| Payroll & related expense | 1,00,000 |
| Other expense | 20,000 |
| **Property Operation, Maintenance and Energy Cost** | |
| Payroll & related expense | 50,000 |
| Other expense | 20,000 |
| **Marketing Department** |  |
| Payroll & related expense | 40,000 |
| Other expense | 10,000 |
| **Other Fixed Expense** |  |
| Rent, Rates & Taxes | 40,000 |
| Depreciation | 40,000 |
| **Other Income** |  |
| Rentals & Others | 2,00,000 |
| Profit on sale of Fixed Assets | 50,000 |

**(TEE- 1993)**

**Q.5.** Prepare an Income Statement of a hotel in accordance with Uniform systems of Accounts from the following information as on 31st December, 2004;

|  |  |
| --- | --- |
| **Net Sales** | **Rs.** |
| Room | 5,00,000 |
| Food and Beverage | 2,50,000 |
| Telephone | 30,000 |
| Other Operated depts.. | 12,500 |
| Rentals and other income | 10,000 |
| **Cost of Sales** |  |
| Food and Beverages | 75,000 |
| Telephone | 15,000 |
| Other operated depts.. | 2,000 |
| **Pay roll and related expenses** |  |
| Rooms | 35,000 |
| Food and Beverages | 27,500 |
| Telephone | 8,500 |
| Other operated depts.. | 6,000 |
| Administrative & maintenance | 7,500 |
| Marketing | 5,000 |
| Property operation and maintenance | 4,500 |
| **Other expense** |  |
| Room | 20,000 |
| Food and Beverages | 18,000 |
| Telephone | 500 |
| Other operated depts.. | 1,000 |
| Administrative & General | 8,500 |
| Marketing | 7,500 |
| Property operation and maintenance | 9,000 |
| Energy Costs | 30,000 |
| **Fixed Charges** |  |
| Rent and rates | 10,000 |
| Property taxes | 3,000 |
| Insurance | 6,500 |
| Depreciation | 15,000 |
| **Income Tax** | 27,500 |

**(TEE – 2007 &2009)**

**Q.6**. From the following participation of Ritz Continental Hotel, prepare Income Statement for the year ended December 31, 1995 in accordance with Uniform System of Accounts.

|  |  |  |  |
| --- | --- | --- | --- |
| **Net Sales** | **Rs.** | **Other Expenses** | **Rs.** |
| Rooms | 16,50,000 | Rooms | 1,65,000 |
| Food & Beverages | 15,40,000 | Food & Beverage | 1,70,000 |
| Telephone | 55,000 | Telephone | 3,850 |
| Minor Operated Depts. | 35,000 | Minor Operated Depts. | 2,250 |
|  |  | Admn. & General | 1,20,000 |
| **Cost of Sales** |  |  |  |
| Food & Beverage | 5,50,000 | Marketing | 65,000 |
| Telephone | 40,000 | Property Operations and  Maintenance | 65,000 |
|  |  | Energy Costs | 80,000 |
| **Payroll & Related Expenses** **Fixed Charges** | | | |
| Room | 2,60,000 | Rent | 40,000 |
| Food & Beverage | 4,00,000 | Property Tax | 50,000 |
| Telephone | 25,000 | Insurance | 35,000 |
| Minor Operated Depts. | 6,000 | Interest | 75,000 |
| Administrative &  General | 1,50,000 | Depreciation | 1,65,000 |
| Marketing | 45,000 | **Income Tax** | 85,000 |
| Property Operations &  Maintenance | 55,000 |  |  |

**(TEE – 1996)**

**Q.7. Form the following information, You are required to make an income statement in accordance with the format introduced by the American Hotel and Motel Association:**

|  |  |
| --- | --- |
| **Net Sales** | **Rs.** |
| Rooms | 12,00,000 |
| Food & Beverage | 5,00,000 |
| Telephone | 1,00,000 |
| Other operated departments | 50,000 |
|  |  |
| **Cost of Sales** |  |
| Food & Beverage | 2,00,000 |
| Telephone | 80,000 |
| Other operated departments | 25,000 |
|  |  |
| **Pay roll and related expenses;** |  |
| Rooms | 2,00,000 |
| Food & Beverage | 1,00,000 |
| Telephone | 25,000 |
| Other operated departments | 15,000 |
| Administration and General Marketing | 1,00,000 |
| Marketing | 50,000 |
| Property Operation and Maintenance | 20,000 |
|  |  |
| **Other Expenses** |  |
| Rooms | 1,00,000 |
| Food & Beverage | 1,00,000 |
| Telephone | 10,000 |
| Other operated departments | 10,000 |
| Administration and General Marketing | 25,000 |
| Marketing | 15,000 |
| Property Operation and Maintenance | 20,000 |
| Energy Cost | 1,00,000 |
|  |  |
| **Other Items:** |  |
| Rent, Property Taxes | 50,000 |
| Insurance | 10,000 |
| Profit on sales of assets | 1,00,000 |
| Depreciation and amortization | 50,000 |
| **INCOME TAX RATE** | 40% |

**(TEE – 1997)**

**Q.8**. From the following particulars of Taj Continental Hotel, prepare the Income Statement for the year ended 31st December, 1997, in accordance with Uniform System of Accounts:-

|  |  |  |  |
| --- | --- | --- | --- |
| **Net Sales** | **Rs.** | **Other Expenses** | **Rs.** |
| Rooms | 46,20,000 | Rooms | 1,80,000 |
| Food & Beverage | 20,30,000 | Food & Beverage | 1,90,000 |
| Telephone | 125,000 | Telephone | 3,000 |
| Minor Operated Dept. | 1,30,000 | Minor Operated Depts. | 3,300 |
|  |  | Admn. & General | 90,000 |
|  |  | Marketing | 80,000 |
| **Cost of Sales** |  |  |  |
| Food & Beverage | 1,20,000 | Property Operations and  Maintenance | 70,000 |
| Telephone  Minor Operated Dept. | 20,000  25,000 | Energy Costs | 60,000 |
|  |  |  |  |
| **Payroll & Related Expenses** **Fixed Charges** | | | |
| Rooms | 3,20,000 | Rent |  |
| Food & Beverage | 5,00,000 | Property Tax | 70,000 |
| Telephone | 30,000 | Insurance | 40,000 |
| Minor Operated Depts. | 6,000 | Interest | 45,000 |
| Administrative &  General | 80,000 | Depreciation | 80,000 |
| Marketing | 40,000 | **Income Tax** | 1,20,000 |
| Property Operations &  Maintenance | 50,000 |  | 1,20,000 |

**(TEE- 1998)**

**Q.9. From the following information prepare Income Statement of Vacation inn for the year ended December 31st, 1992 according to AHMA format.**

|  |  |
| --- | --- |
| **Rooms:-** | **Rs** |
| Net Revenue | 10,41,200 |
| Cost of Sales |  |
| Pay roll and related expenses | 1,85,334 |
| Other Expenses | 79,080 |
|  |  |
| **Food & Beverage:-** |  |
| Net Revenue | 6,26,165 |
| Cost of Sales | 2,08,448 |
| Pay roll and related expenses | 2,18,532 |
| Other Expenses | 66,513 |
|  |  |
| **Telephone** |  |
| Net Revenue | 52,028 |
| Cost of Sales | 46,505 |
| Pay roll and related expenses | 14,317 |
| Other Expenses | 6,816 |
|  |  |
| **Administration & General** |  |
| Pay roll and related expenses | 47,787 |
| Other Expenses | 24,934 |
|  |  |
| **Data Processing:-** |  |
| Pay roll and related expenses | 20,421 |
| Other Expenses | 11,622 |
|  |  |
| **Transportation** |  |
| Pay roll and related expenses | 13,411 |
| Other Expenses | 7,460 |
| **Marketing** |  |
| Payroll and related expenses | 33,231 |
| Other Expenses | 33,585 |
| **Property Operation, Maintenance** |  |
| Pay roll and related expenses | 31,652 |
| Other Expenses | 49,312 |
| **Energy Cost** |  |
| Other Expenses | 88,752 |
| **Fixed Charges** |  |
| Rent, Property Taxes and Insurance | 2,00,861 |
| Interest | 52,148 |
| Depreciation and Amortization | 115,860 |
| **Income Tax** | 48,707 |

**(TEE...............)**

Q. 10. Prepare an Income State of “ Green Park Hotel” in accordance with Uniform System of Accounts

from the following information as on December 1998.

|  |  |  |  |
| --- | --- | --- | --- |
| **Net Sales** | **Rs.** | **Other Expenses** | **Rs** |
| Room | 50,00,000 | Rooms | 2,00,000 |
| Food & Beverage | 25,00,000 | Food & Beverage | 1,80,000 |
| Telephone | 3,00,000 | Telephone | 5,000 |
| Other Operated Departments | 1,25,000 | Other Operated Departments | 10,000 |
| Rentals and other income | 1,00,000 | Administrative and General | 85,000 |
|  |  | Marketing | 90,000 |
| **Cost of Sales** |  | Property Operation and Maintenance | 75,000 |
| Food & Beverage | 7,50,000 | Energy Costs | 3,00,000 |
| Telephone | 1,50,000 | **Fixed Charges** |  |
| Other Operated Departments | 20,000 | Rent & Rates | 1,00,000 |
| **Payroll & Related expenses** |  | Property Taxes | 30,000 |
| Room | 3,50,000 | Insurance | 65,000 |
| Food & Beverage | 2,75,000 | Depreciation | 1,50,000 |
| Telephone | 85,000 | **Income Tax** | 2,75,000 |
| Other Operated Departments | 6,000 |  |  |
| Administrative & General | 75,000 |  |  |
| Marketing | 50,000 |  |  |
| Property operation and Maintenance | 45,000 |  |  |

**(TEE-1999)**

Q. 11. From the following particulars of a Hotel, prepare the income statement for the year ended 31st March, 1999 in accordance with uniform system of Accounts.

|  |  |  |  |
| --- | --- | --- | --- |
| **Net Sales** | **Rs.** | **Pay roll and related expenses** | **Rs.** |
| Rooms | 8,25,000 | Rooms | 1,30,000 |
| Food & Beverage | 7,70,000 | Food & Beverage | 2,00,000 |
| Telephone | 27,500 | Telephone | 12,500 |
| Minor Operated Dept. | 17,500 | Minor Operated Depts. | 3,000 |
|  |  | Admn. & General | 75,000 |
|  |  | Marketing | 22,500 |
| **Cost of Sales** |  | Property Operations and Maintance | 27,500 |
| Food & Beverage | 2,75,000 |  |  |
| Telephone  Minor Operated Dept | 20,000  10,000 |  |  |
| **Fixed Charges** |  | **Other Expenses** |  |
|  |  | Rooms | 82,500 |
| Rent | 40,000 | Food & Beverage | 85,000 |
| Property Tax | 25,000 | Telephone | 1,925 |
| Insurance | 35,000 | Minor Operated Depts. | 1,225 |
| Interest | 75,000 | Administrative & General | 60,000 |
| Depreciation | 1,65,000 | Marketing | 32,500 |
| **Tax rate** | **40%** | Property Operations & Maintenance | 30,000 |
|  |  | Energy costs | 40,000 |

**(TEE-2000)**

Q. 14. Prepare an Income Statement as per AHMA

|  |  |
| --- | --- |
| **Net Sale** | **Rs.** |
| Rooms | 12,00,000 |
| Food & Beverages | 5,00,000 |
| Telephone | 3,00,000 |
| Banquet and Bar | 1,00,000 |
|  |  |
| **Cost of Scale** |  |
| Food & Beverages | 2,00,000 |
| Telephone | 40,000 |
| Banquet and Bar | 20,000 |
|  |  |
| **Pay Roll and Other Related Expenses:** |  |
| Rooms | 2,00,000 |
| Food & Beverages | 1,00,000 |
| Telephone | 20,000 |
| Banquet and Bar | 5,000 |
| Administration and General | 1,00,000 |
| Property Operation and Maintenance | 50,000 |
| Marketing | 20,000 |
| Health Club | 5,000 |
|  |  |
| **Other Expenses** |  |
| Rooms | 1,00,000 |
| Food & Beverages | 1,00,000 |
| Telephone | 10,000 |
| Administration and General | 3,000 |
| Marketing | 1,500 |
| Property Operation and Maintenance | 700 |
| Energy Cost | 500 |
| Banquet and Bar | 2,00,000 |
|  |  |
| **Fixed Charges** |  |
| Rent, Property Taxes | 50,000 |
| Insurance | 15,000 |
| Depreciation | 50,000 |
| **Income Tax Rate** | 40% |
|  |  |
| Profit on Sale of Fixed Asset | 1,00,000 |

**(TEE -2003)**

Q. 15. The list of accounts given below is pertaining to a hotel. You are required to prepare an income statement in accordance with Uniform System of account.

|  |  |
| --- | --- |
| **Net Revenue** | **Rs** |
| Rooms | 33,09,698 |
| Food & Beverages | 15,24,400 |
| Telephone | 1,16,538 |
| Rentals and other income | 1,02,552 |
|  |  |
| **Cost of Sale** |  |
| Food & Beverages | 4,87,612 |
| Telephone | 91,215 |
|  |  |
| **Pay Roll and Other Related Expenses:** |  |
| Rooms | 5,82,507 |
| Food & Beverages | 4,49,048 |
| Telephone | 17,132 |
| Administrative and General | 1,24,112 |
| Marketing | 42,993 |
| POM | 1,11,535 |
|  |  |
| **Other Expenses** |  |
| Rooms | 2,58,156 |
| Food & Beverages | 1,34,984 |
| Telephone | 9,437 |
| Administrative and General | 2,04,206 |
| Marketing | 2,50,497 |
| POM | 89,350 |
| Energy Costs | 2,97,872 |
|  |  |
| **Fixed Charges** |  |
| Rent, Property Tax and Insurance | 3,26,335 |
| Depreciation and amortization | 2,51,537 |
| Interest expenses | 3,01,181 |
| Gain on sale property | 858 |
| **Income Tax** | 35% |

**(TEE- 2004)**

Q.16. Prepare an income statement as per Uniform System of accounts:

|  |  |  |  |
| --- | --- | --- | --- |
| **Net Sales** | **Rs.** | **Other Expenses** | **Rs.** |
| Room | 40,00,000 | Room | 1,00,000 |
| Food & Beverage | 20,00,000 | Food & Beverage | 1,20,000 |
| Telephone | 1,40,000 | Telephone | 3,000 |
| Minor Operated dept. | 1,20,000 | Minor operated dept. | 4,200 |
| **Cost of Sales** |  | Administrative &  General | 25,000 |
| Food & Beverage | 1,25,000 | Marketing | 30,000 |
| Telephone | 10,000 | Property operation &  Maintenance | 50,000 |
| Minor operated dept. | 15,000 | Energy costs | 30,000 |
| **Pay Roll & related**  **Expenses** |  | **Fixed Charges** |  |
| Room | 3,00,000 | Rent | 80,000 |
| Food & Beverage | 5,00,000 | Tax | 40,000 |
| Telephone | 20,000 | Insurance | 20,000 |
| Minor operated dept. | 20,000 | Interest | 36,000 |
| Administrative &  General | 40,000 | Depreciation | 80,000 |
| Marketing | 18,000 | Income Tax | 1,20,000 |
| Property operation  and maintenance | 30,000 |  |  |

**(TEE-2004)**

Q,17.Prepare an income statement of a hotel in accordance with Uniform System of Accounts from the following information as on 31st December 2004.

|  |  |  |  |
| --- | --- | --- | --- |
| **Net Sales** | **Rs.** | **Other Expenses** | **Rs.** |
| Room | 5,00,000 | Room | 20,000 |
| Food & Beverage | 2,50,000 | Food & Beverage | 18,000 |
| Telephone | 30,000 | Telephone | 500 |
| Other operated dept. | 12,500 | Other operated dept. | 1,000 |
| Rents and other income |  | Administrative &  General | 8,500 |
|  |  | Property operation &  Maintenance | 7,500 |
|  |  | Marketing | 9,000 |
|  |  |  |  |
| **Cost of Sales** |  | Energy Costs | 30,000 |
| Food & Beverage | 75,000 | **Fixed Charges** |  |
| Telephone | 15,000 | Rent & Rates | 10,000 |
| Other operated depts. | 2,000 | Property taxes | 3,000 |
| **Payroll & related**  **Expenses** |  | Insurance | 6,500 |
| Rooms | 35,000 | Depreciation | 15,000 |
| Food & Beverage | 27,000 | **Income Tax** | 27,500 |
| Telephone | 8,500 |  |  |
| Other operated depts. | 6,500 |  |  |
| Administrative &  General | 7,500 |  |  |
| Property operation  And maintenance | 4,500 |  |  |
| Marketing | 5,000 |  |  |

**( TEE – 2005)**

Q.18. The welcome Group operates 75 room hotel. You are required to prepare the income statement of the hotel under uniform system of hotel accounts.

|  |  |
| --- | --- |
| **Room** | **Rs .** |
| Net Sales | 3,50,000 |
| Salaries | 50,000 |
| Employee meal | 7,000 |
| Laundry | 30,000 |
|  |  |
| **Food and Beverage** |  |
| Net Sales | 2,50,000 |
| Cost of sales | 80,000 |
| Salaries | 10,000 |
| Staff Meal | 1,000 |
| Uniform | 1,500 |
|  |  |
| **Telephone** |  |
| Sales | 15,000 |
| Payroll and related expenses | 3,500 |
| Other expenses | 2,500 |
| **News Stand** |  |
| Net Sales | 30,000 |
| Cost of Sales | 22,000 |
| Payroll and related expenses | 3,000 |
|  |  |
| **Marketing** |  |
| Payroll and related expenses | 35,000 |
| Other expenses | 5,000 |
| **Property maintenance** |  |
| Payroll and related expenses | 5,000 |
| Other expenses |  |
| **Fixed expenses** |  |
| Ground Rent | 40,000 |
| Interest | 12,000 |
| Depreciation | 20,000 |
| **Other Items** |  |
| Profit on Sales of assets | 75,000 |
| **Income tax rate** | 40% |

**(TEE – 2008)**

Q.19. The following balance were extracted from the books of a hotel as on 31st March, 2004. Prepare an income statement in accordance with the Uniform System of account:

|  |  |
| --- | --- |
| **Room Department** | **Rs.** |
| Net Sales | 5,00,000 |
| Payroll and related expenses | 20,000 |
| Other expenses | 30,000 |
| **Food and Beverage Dept.** |  |
| Net Sales | 4,00,000 |
| Food Beverage Cost | 1,50,000 |
| Payroll and related expense | 40,000 |
| Other expenses | 20,000 |
| **Telephone Department** |  |
| Net Revenue | 40,000 |
| Cost of sales | 8,000 |
| Payroll and related expenses | 2,000 |
| **Transportation Department** |  |
| Net revenue | 20,000 |
| Payroll and related expenses | 10,000 |
| Other expenses | 5,000 |
| **Administration and General:** |  |
| Payroll and related expense | 35,000 |
| Other expenses | 5,000 |
|  |  |
| Property operation,  maintenance and energy cost |  |
| Payroll and related expense | 15,000 |
| Other expenses | 7,000 |
|  |  |
| **Marketing Department** |  |
| Payroll and related expense | 18,000 |
| Other expenses | 4,000 |
|  |  |
| **Other Fixed expenses** |  |
| Rent, Rates and Taxes | 20,000 |
| Depreciation | 10,000 |
|  |  |
| **Other Income** |  |
| Rental and Others | 60,000 |
| Profit on sale of fixed assets | 20,000 |

Income tax – 40% of net income

**(TEE 2005)**

Q.20. From the following information, prepare an Income statement in accordance with uniform system of Accounts.

|  |  |  |  |
| --- | --- | --- | --- |
| **Sales** | **Rs.** | **Other expenses** | **Rs.** |
| Room | 2,60,000 | Room | 16,000 |
| Food & Beverage | 1,54,000 | Food & Beverage | 15,000 |
| Telephone | 55,000 | Telephone | 1,000 |
| Other operated dept. | 35,000 | Other operated dept | 2,000 |
| **Cost of Sales** |  | Administrative &  General | 9,000 |
| Food & Beverage | 75,000 | Marketing | 6,000 |
| Telephone | 5,000 | Property operation and maintenance | 3,000 |
| Other operated depts. | 3,500 | Energy Costs | 5,000 |
| **Pay roll & related**  **Expenses** |  | **Fixed Charges** |  |
| Rooms | 26,000 | Rent | 6,000 |
| Food & Beverages | 40,000 | Property taxes | 5,000 |
| Telephone | 2,500 | Insurance | 3,500 |
| Other operated depts. | 6,000 | Depreciation | 1,600 |
| Administrative &  General | 3,500 |  |  |
| Marketing | 4,000 |  |  |
| Property operation  and maintenance | 5,000 |  |  |

Income tax 40% of net income

**(TEE 2006)**

Q.21 Prepare an Income Statement is accordance with Uniform System of Accounts

from the following information’s:-

|  |  |
| --- | --- |
| **Net Sales** | Rs |
| Rooms | 5,50,000 |
| Food & Beverage | 3,90,000 |
| Telephone | 60,000 |
| Other Operated departments | 40,000 |
| Rentals and Other income | 1,25,000 |
|  |  |
| **Cost of Sales** |  |
| Food and beverages | 1,60,000 |
| Telephone | 30,000 |
| Other operated departments | 10,000 |
|  |  |
| **Payroll and related expenses** |  |
| Rooms | 55,000 |
| Food and Beverage | 39,000 |
| Telephone | 6,000 |
| Other operated departments | 4,000 |
|  |  |
| **Other expenses** |  |
| Rooms | 45,000 |
| Food and Beverage | 25,000 |
| Telephone | 7,000 |
| Other operated departments | 1,000 |
| Administrative and General | 50,000 |
| Property operation and maintenance | 65,000 |
| Marketing | 65,000 |
| Energy cost | 45,000 |
| Fixed Charges | 40,000 |
| Income tax | 50,000 |

**(TEE 2012)**

Q.22. Prepare an INCOME STATEMENT according to the provision of Uniform system

of Accounting for hotels from the following particulars

|  |  |
| --- | --- |
| **Fixed charges** | **Rs.** |
| Property tax | 10,000 |
| Depreciation | 20,000 |
| Interest | 10,000 |
| **Profit on Sales of Assets** | 1,00,000 |
| **Power and fuel** | 50,000 |
| Income Tax | 10% |
|  |  |
| **Pay roll** |  |
| Room | 10,000 |
| F & B | 15,000 |
| Telephone | 5,000 |
| Other operated departments | 3,000 |
| Administrative and General | 10,000 |
| Property operation and Maintenance | 8,000 |
| Marketing | 10,000 |
| **Cost of Sales** |  |
| F & B | 50,000 |
| Telephone | 5,000 |
| Other operated departments | 8,000 |
|  |  |
| **Other expenses** |  |
| Room | 10,000 |
| F & B | 20,000 |
| Telephone | 3,000 |
| Other operated departments | 2,000 |
| Administrative and General | 5,000 |
| Property operation and Maintenance | 8,000 |
| Marketing | 7,000 |
|  |  |
| **Net sales** |  |
| Room | 3,00,000 |
| F & B | 2,00,000 |
| Telephone | 50,000 |
| Other operated departments | 75,000 |
| Rent and other income | 1,00,000 |

**(TEE 2009)**

Q.23. The following balances were extracted from the accounts of the XYZ Hotel as at 31st March 2010. Prepare an income statement in accordance with the uniform system of accounting.

|  |  |
| --- | --- |
| **Room Department** | **Rs.** |
| Net Sales | 5,00,000 |
| Payroll and related expenses | 20,000 |
| Other expenses | 37,5000 |
|  |  |
| **Food and Beverage** |  |
| Net Sales | 3,00,000 |
| Food Beverage Cost | 1,00,000 |
| Payroll and related expenses | 30,000 |
| Other expenses | 25,000 |
|  |  |
| **Telephone Department** |  |
| Net Revenue | 20,000 |
| Cost of sales | 8,000 |
| Payroll and related expenses | 4,500 |
|  |  |
| **Administration and General** |  |
| Payroll and related expenses | 37,500 |
| Other expenses | 7,500 |
|  |  |
| **Property operation,**  **maintain & Energy cost** |  |
| Payroll and related expenses | 15,000 |
| Other expenses | 7,500 |
|  |  |
| **Marketing Department** |  |
| Payroll and related expenses | 12,000 |
| Other expenses | 2,000 |
|  |  |
| **Other fixed expenses** |  |
| Rent, Rates and Taxes | 10,000 |
| Depreciation | 8,000 |
| Other income |  |
| Rentals and others | 60,000 |
| Profit on sale of fixed assets | 15,000 |

**(TEE 2010)**

**PROBLEMS BASED ON ROOMS SCHEDULE**

**Q.**24. Prepare in Income Statement of Room Department in respect of Hotel Glory for the month of January, 1996. The required information are given below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Room sales** | **Rs** | **Rs.** | **Other Expenses** | **Rs.** |
| Transient | 9,93,900 |  | Contract Cleaning | 3,200 |
| Permanent | 50,000 | 10,43.900 | Commissions | 5,124 |
| Allowances |  | 2,700 | Linen | 9,494 |
|  |  |  | Laundry and Dry  Cleaning | 20,706 |
| **Pay roll and Related Expenses:** |  |  | Operating Supplies | 21,742 |
| Salaries & Wages | 1,59,304 |  | Reservations | 9,288 |
| Employee benefits | 26,030 | 1,85,334 | Uniform | 1,400 |
|  |  |  | Others | 8,126 |

**(TEE -1997)**

Q.25. From the following accounts balance, prepare a Rooms Department

Schedule according to Uniform system of accounting.

|  |  |
| --- | --- |
|  | **Rs.** |
| Sales-Transient regular | 1,95,000 |
| Salaries | 18,000 |
| Commission | 1,000 |
| Uniforms | 2,500 |
| Linen Expenses | 3,000 |
| Sales-Transient groups | 50,000 |
| Employee benefits | 7,500 |
| Operating supplies | 2,000 |
| Contract cleaning | 1,800 |
| Dry cleaning | 1,200 |
| Other revenues | 2,000 |
| Allowances – rooms | 500 |
| Laundry | 3,000 |
| Other expenses | 1,800 |

**(TEE-2005,2007 & 2009)**

**Q.26.** Prepare an Income Statement of a room department , in accordance with the Uniform system of Accounting, in respect of the Hotel Bhoomika for the year ended 31-12-1998. The required information are given below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Revenue** | **Rs.** | **Other Expenses** | **Rs.** |
| Transient | 10,00,000 | Commissions | 15,000 |
| Permanent | 50,000 | Operating Supplies | 25,000 |
| Allowances | 3,000 | Miscellaneous expenses | 8,126 |
|  |  | Linen | 9,000 |
| **Pay roll and related expenses** |  | Contract cleaning | 8,200 |
|  |  | Uniforms | 14,000 |
| Salaries & Wages | 1,60,000 | Reservations | 9,200 |
| Employee benefits | 26,000 | Laundry & dry cleaning | 20,000 |

**(TEE-2000)**

Q.27. Prepare a rooms department schedule from the uniform system of Accounts.

|  |  |
| --- | --- |
|  | **Rs.** |
| Sales-regular | 2,10,000 |
| Salaries | 40,000 |
| Commission | 5,000 |
| Uniforms | 1,000 |
| Linen Expenses | 4,000 |
| Sales-group | 60,000 |
| Wages | 12,000 |
| Payroll taxes | 2,000 |
| Dry cleaning | 2,000 |
| Other expenses | 2,500 |

**(TEE- 2008)**

Q.28. The following information are related to a rooms department of a hotel. You are

required to prepare a room’s schedule following the uniform systems of

accounting.

|  |  |
| --- | --- |
|  | **Rs.** |
| Sales-transient regular | 1,75,000 |
| Salaries & Wages | 30,000 |
| Commission | 5,000 |
| Uniforms | 1,500 |
| Linen Expenses | 4,500 |
| Sales-transient groups | 25,000 |
| Fringe benefits | 8,000 |
| Contract cleaning | 2,800 |
| Dry cleaning | 3,000 |
| Allowances-Rooms | 1,000 |
| Laundry | 3,800 |
| Other expenses | 1,500 |
| Operating supplies | 4,200 |

**(TEE-2001)**

Q.29. Prepare a Room’s department income schedule following the uniform system of accounting from the information given below:

|  |  |
| --- | --- |
| Sales: | **Rs.** |
| Transient regular | 2,80,000 |
| Transient groups | 80,000 |
| Salaries & Wages | 50,000 |
| Commission | 10,000 |
| Uniform | 3,000 |
| Linen expenses | 5,000 |
| Fringe benefits | 10,000 |
| Contact cleaning | 4,000 |
| Dry cleaning | 5,100 |
| Allowances-rooms | 3,600 |
| Laundry | 3,000 |
| Other expenses | 2,000 |
| Operating supplies | 5,500 |

**(TEE 2005)**

Q.30. Prepare a rooms department income schedule following the Uniform system of accounting from the following information.

|  |  |
| --- | --- |
| Sales: | **Rs.** |
| Transient regular | 4,00,000 |
| Transient groups | 2,00,000 |
| Salaries & Wages | 70,000 |
| Commission | 20,000 |
| Uniform | 6,000 |
| Linen expenses | 10,000 |
| Fringe benefits | 5,000 |
| Contact cleaning | 4,000 |
| Dry cleaning | 3,000 |
| Allowances-rooms | 6,000 |
| Laundry | 25,00 |
| Other expenses | 1,500 |
| Operating supplies | 6,000 |

**(TEE 2006)**

Q.31.From the following accounts balance, prepare a rooms department schedule

according to uniform system of accounts.

|  |  |
| --- | --- |
| Room Sales | **Rs.** |
| Transient | 2,00,000 |
| Permanent | 50,000 |
| Commission | 25,000 |
| Linen expenses | 20,000 |
| Uniform | 15,000 |
| Employee benefits | 5,000 |
| Salaries and Wages | 30,000 |
| Operating Supplies | 3,000 |
| Laundry and dry cleaning | 7,500 |
| Guest transportation | 1,500 |
| Other operating expenses | 750 |
| Allowances | 2500 |

**(TEE 2007)**

Q.32. Several accounts from the Hill top Hotel’s general ledger that pertain to the rooms department are listed below. The accounts are in random order as follows:-

|  |  |
| --- | --- |
|  | **Rs.** |
| Sales-Transient-regular | 1,00,000 |
| Salaries | 10,000 |
| Commission | 1,000 |
| Uniform | 500 |
| Linen expenses | 1,000 |
| Sales-Transient groups | 50,000 |
| Wages | 15,000 |
| Payroll taxes | 2,000 |
| Operating supplies | 1,500 |
| Contract Cleaning | 1,800 |
| Dry cleaning | 1,200 |
| Fringe benefits | 3,000 |
| Other revenues | 2,000 |
| Allowances-Rooms | 500 |
| Laundry | 3,000 |
| Other expenses | 1,800 |

**(TEE-1995)**

Q.33. Prepare a rooms department schedule from the following information

|  |  |  |
| --- | --- | --- |
|  |  | **Rs.** |
| (a) | Transient | 1,00,000 |
| (b) | Permanent | 50,000 |
| (c) | Wages and Salaries | 20,000 |
| (d) | Allowances | 5,000 |
| (e) | Employee benefits | 5,000 |
| (f) | China glassware linen | 10,000 |
| (g) | Cleaning | 10,000 |
| (h) | Guest Laundry | 8,000 |
| (i) | Linen, Blanket and Uniform | 8,000 |
| (j) | Guest transportation | 2,000 |

**(TEE 2009)**

**Q.**33 (A) From the following information, prepare a Room Schedule:-

Salaries and Wages- Rs .9,000

Room Sales 96,000

Staff Uniform 8,000

Allowances paid on room 3,600

Reservation Expenses 1,800

Employees Welfare Expenses 2,100

Commission Paid 1,200

Linen Purchases 9,600

Contract cleaning charge 4,200

Other Operating Expenses- 15,000

Guest Transportation charges 8,400

Laundry and cleaning 2,400

Operating supplies 12,000

**(TEE – 2011)**

**PROBLEMS BASED ON F & B SCHEDULS**

Q. 34. Prepare an income State4ment of F&B Department of Hotel Torino

as on Dec.31.1995 from the information gives below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Rs. |  | Rs. |
| Food Sales | 5,55,000 | China &glass Ware &Linen | 8,250 |
| Beverage Sales | 2,22,000 | Kitchen fuel | 50,000 |
| Allowances: |  | Cleaning Expenses | 5,500 |
| Food | 1,650 | Laundry Expenses | 4,950 |
| Beverage | 935 | Licences | 3,850 |
| Cost of Sales |  | Band & Music | 45,000 |
| Food | 1,95,000 | Operating supplies | 14,300 |
| Beverage | 90,000 | Other Operating Expenses | 3,300 |
| Salaries & Wages | 1,40,000 |  |  |
| Employee Benefits | 27,500 |  |  |

**(TEE-1996)**

Q.35. Prepare a Food & Beverage Department Income Statement from the information

given below:

|  |  |
| --- | --- |
| **Sales** | **Rs.** |
| Food | 4,50,000 |
| Beverage | 1,80,000 |
| Others | 20,000 |
|  |  |
| **Purchase of raw materials** |  |
| Food | 1,35,000 |
| Beverage | 65,000 |
|  |  |
| **Wage costs & Employee**  **benefits** |  |
| Salaries & Wages | 1,30,000 |
| Provident Fund | 13,000 |
| Medical Expenses | 15,000 |
|  |  |
| **Other Expenses** |  |
| Kitchen fuel | 40,000 |
| Electricity | 30,000 |
| China, Glass Ware &Linen | 12,000 |
| Cleaning Expenses | 5,000 |
| Laundry &Dry cleaning | 8,000 |
| Licences | 3,000 |
| Band & Music | 35,000 |
| Other Operating Expenses | 15,000 |

**(TEE- 2000)**

Q. 36. Prepare an Income statement of Food and Beverage Department of a hotel as on

31st March, 2004.

|  |  |
| --- | --- |
|  | Rs. |
| Food Sales | 8,80,000 |
| Beverage Sales | 3,30,000 |
|  |  |
| **Allowance** |  |
| Food | 8,000 |
| Beverage | 1,300 |
|  |  |
| **Cost of Sales** |  |
| Food | 2,50,000 |
| Beverage | 90,000 |
|  |  |
| Salaries & Wages | 1,00,000 |
| Employee benefits | 30,000 |
| Kitchen fuel | 25,000 |
| China glassware | 5,000 |
| Cleaning Expenses | 8,000 |
| Laundry expenses | 3,000 |
| Licences | 5,000 |
| Band and Music | 10,000 |
| Operating expenses | 12,000 |

**(TEE-2007)**

Q. 37. Prepare an Income statement of food and beverage department as on 31st

December from information given below:

|  |  |
| --- | --- |
|  | **Rs.** |
| Food Sales | 7,25,000 |
| Beverage Sales | 2,00,000 |
| Food Allowances | 1,500 |
| Beverage Allowances | 1,000 |
| Food- Cost of sale | 1,80,000 |
| Beverage – Cost of sale | 90,000 |
| Salaries | 1,25,000 |
| Kitchen fuel | 40,000 |
| Laundry | 5,000 |
| Music | 30,000 |
| Other expenses | 3,300 |
| Cleaning expenses | 5,000 |
| Employee benefit | 25,000 |

**(TEE-2008)**

**OCTOBER 2010**

Q. 38. From the following information. Prepare the statement of income with schedule for XYZ Restaurant for the month ended on 31st December 2003.

|  |  |
| --- | --- |
|  | **Rs.** |
| Sale: Food | 1,50,000 |
| Beverage | 50,000 |
| Cost of Sale: 35% of food sale |  |
| 20% of beverage sale |  |
| Salaries and Wages | 25,000 |
| Employee’s benefits | 8,000 |
| Direct Operating Expenses | 18,000 |
| Music and Entertainment | 4,000 |
| Marketing | 2,500 |
| Energy and utility | 5,000 |
| General Expenses | 15,000 |
| Rent | 6,700 |
| Interest | 2,500 |
| Depreciation | 6,000 |
| Income Tax | 2,000 |

**(TEE-2004)**

Q. 39. Prepare an income statement of Food & Beverage Department of Hotel Sunshine as on 31st December 2002 from the information given below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Rs.** |  | **Rs.** |
| Food Sales | 5,60,000 | China glassware | 8,000 |
| Beverage Sales | 2,50,000 | Kitchen Fuel | 40,000 |
|  |  | Cleaning Expenses | 5,800 |
| **Allowances** |  | Laundry Expenses | 5,000 |
| Food | 1,200 | Licences | 4,000 |
| Beverage | 900 | Band & Music | 10,000 |
| **Cost of Sales** |  | Operating supplies | 12,000 |
| Food | 1,80,000 | Other Operating Expenses | 4,000 |
| Beverage | 80,000 |  |  |
| Salaries and Wages | 1,20,000 |  |  |
| Employee’s benefits | 25,000 |  |  |

**(TEE-2004)**

Q. 40. Prepare an income statement of F & B Department of a Hotel as on 31st March

2005, according to uniform system of accounting from the information given below.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Rs.** |  | **Rs.** |
| Food Sales | 5,60,000 | China glassware | 8,250 |
| Beverage Sales | 2,15,000 | Linen | 1,750 |
| Allowance: Food | 16,250 | Kitchen Fuel | 50,000 |
| Allowance: Beverage | 9,500 | Cleaning Expenses | 5,500 |
| Cost of Sales: Food | 2,05,000 | Laundry Expenses | 4,950 |
| Cost of Sales: Beverage | 1,06,000 | Licences | 3,850 |
| Salaries and Wages | 1,40,000 | Band & Music | 45,000 |
| Employee benefits | 27,500 | Operating supplies | 14,300 |
|  |  | Other Operating Expenses | 3,300 |

**(TEE- 2005, 2009)**

Q. 41. Prepare an income statement of food and beverage department from the

information given below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Rs.** |  | **Rs.** |
| Food Sales | 7,00,000 | Salaries | 1,00,000 |
| Beverage Sales | 5,00,000 | Employee benefits | 50,000 |
| Allowance: |  | China glassware | 10,000 |
| Food | 7,000 | Kitchen Fuel | 20,000 |
| Beverage | 5,000 | Cleaning Expenses | 8,000 |
| Cost of Sales:- |  | Laundry Expenses | 5,00,000 |
| Food | 3,00,000 | Licences | 4,000 |
| Beverage |  |  |  |

**(TEE 2006)**

Q. 42. Prepare an income statement of food and beverage department from the

following account balances:-

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Rs.** |  | **Rs.** |
| Food Sales | 5,50,000 | Linen | 11,000 |
| Beverage Sales | 2,75,000 | China and glassware | 9,000 |
| Allowance: Food | 3,000 | Cleaning Expenses | 17,000 |
| Allowance: Beverage | 2,000 | Band & Music | 50,000 |
| Material Cost (Food) | 1,50,000 | Operating supplies | 35,000 |
| Material Cost(Beverage) | 70,000 | Uniform | 25,000 |
| Pay roll cost | 75,000 | Kitchen fuel | 45,000 |
| Employee benefits | 25,000 | Laundry | 30,000 |
| Licences | 5,000 |  |  |
| Operating Expenses | 2,500 |  |  |

**(TEE 2007)**

**(TEE 2012)**

Q. 43. From the following information prepare the statement of income for XYZ Restaurant.

|  |  |
| --- | --- |
| Sales | **Rs.** |
| Food | 2,50,000 |
| Beverage | 1,50,000 |
| Cost of Sales | 25% of food sale  15% of beverage sale |
| Salaries and Wages | 30,000 |
| Employees benefits | 15,000 |
| Music & Entertainment | 8,000 |
| Marketing | 5,000 |
| Energy & Utility | 2,500 |
| General Expenses | 8,000 |
| Rent | 5,000 |
| Interest | 2,500 |
| Depreciation | 6,000 |
| Income Tax | 3,000 |

**(TEE 2010)**

Q. 43 (A) Prepare an Income Statement of F &B Department as on 31st March, 2009

according to Uniform system of Accounting.

|  |  |
| --- | --- |
| Beverage Sales | 315,000 |
| Food Sales | 660,000 |
| Cost of Sales - Food | 250,000 |
| Cost of Sales-Beverage | 160,000 |
| Wages and Salaries | 150,000 |
| Uniforms | 30,000 |
| Operating Expenses | 5,500 |
| Laundry Expenses | 5,000 |
| Allowances; Food | 17,250 |
| Allowances; Beverage | 9,500 |
| Silver and Glassware | 9,500 |
| Linen | 2,250 |
| Kitchen fuel | 60,000 |
| Licences | 4,560 |
| Music and entertainment | 50,000 |
| Operating Supplies | 15,400 |
| Other Operating expenses | 4,300 |

**(TEE- 2011)**

**PROBLEM BASED ON BALANCE SHEET – AHLA**

Q.44. Prepare a Balance Sheet according to the format prescribed in Uniform

System of Accounts for Hotels from the under mentioned Account

balance:

|  |  |  |
| --- | --- | --- |
|  | **Dr.**  **Rs.** | **Cr.**  **Rs.** |
| Preference shares |  | 2,00,000 |
| Equity shares |  | 8,00,000 |
| Cash in Hand | 10,000 |  |
| Cash at Bank | 30,000 |  |
| Accrued expenses |  | 10,000 |
| Debentures |  | 50,000 |
| Stock | 14,000 |  |
| General Reserve |  | 1,00,000 |
| Profit and Loss A/c |  | 40,000 |
| Pre-paid expenses | 1,000 |  |
| Creditors |  | 20,000 |
| Crockery, cutlery & Utensils | 15,000 |  |
| Bills payable |  | 10,000 |
| Land & Building | 3,50,000 |  |
| Plant & Machinery | 2,80,000 |  |
| Investments | 1,00,000 |  |
| Debtors | 30,000 |  |
| Kitchen Equipments | 1,50,000 |  |
| Music and sound system | 1,45,000 |  |
| Deferred Revenue Expenditure | 5,000 |  |
| Furniture and furnishings | 1,00,000 |  |
|  | **12,30,000** | **12,30,000** |

**(TEE-2000)**

Q.45. Prepare a Balance sheet according to the format prescribed in uniform system of accounts for hotels from the following trial balance in the book of XYZ as on 31st December 2003.

|  |  |  |  |
| --- | --- | --- | --- |
| **Debit** | **Rs.** | **Credit** | **Rs.** |
| Cash in Hand | 20,000 |  |  |
| Cash in Bank | 80,000 | Preference Shares | 1,50,000 |
| Closing Stock | 35,000 | Equity Capital | 9,00,000 |
| Prepaid expense | 5,000 | Accrued expenses | 15,000 |
| Crockery and cutlery | 35,000 | Debentures | 70,000 |
| Land and Building | 5,00,000 | General Reserve | 80,000 |
| Investments (short term) | 2,00,000 | Capital Reserve | 70,000 |
| Sundry debtors | 10,000 | Profit & Loss Account | 1,40,000 |
| Kitchen equipment | 2,00,000 | Sundry Creditors | 80,000 |
| Music and Sound System | 80,000 | Bills Payable | 20,000 |
| Deferred Revenue  Expenditure | 40,000 |  |  |
| Furniture & Fixture | 1,00,000 |  |  |
| Shares of RIL | 2,20,000 |  |  |
|  | **15,25,000** |  | **15,25,000** |

**(TEE-2004 & 2010)**

Q.46.Prepare a Balance Sheet according to the format prescribed in Uniform system of

accounting for hotels from the following Trial balance of XYZ Hotel Ltd, as on 31st

March 2005:

|  |  |  |  |
| --- | --- | --- | --- |
| **Debit** | **Rs.** | **Credit** | **Rs.** |
| Cash in hand | 10,000 | Capital Stock | 5,25,000 |
| Cash at bank | 40,000 | Accrued expenses | 7,500 |
| Closing stock | 17,500 | Debentures | 35,000 |
| Prepaid expenses | 2,500 | General reserve | 40,000 |
| Crockery and cutlery | 17,500 | Capital reserve | 35,000 |
| Land and Building | 2,50,000 | Profit & Loss account | 70,000 |
| Marketable security | 1,00,000 | Sundry creditors | 40,000 |
| Sundry debtors | 5,000 | Bills payable | 10,000 |
| Kitchen equipment | 1,00,000 |  |  |
| Music and sound system | 40,000 |  |  |
| Deferred revenue expenditure | 20,000 |  |  |
| Furniture & Fixture | 50,000 |  |  |
| Investments | 1,10,000 |  |  |
|  |  |  |  |
| Total | **7,62,500** |  | **7,62,500** |

**(TEE-2005,2009)**

Q.47.Prepare a Balance sheet according to the format of uniform system of accounts for hotels from the following data:

|  |  |
| --- | --- |
| Particulars | Amount in rupees lakh |
| Misc. expenditure | 0.01 |
| Goodwill | 0.10 |
| Land and Building | 20.00 |
| Creditors | 10.00 |
| Debtors | 14.00 |
| Stock | 08.00 |
| Deferred revenue expenditure | 00.09 |
| Equity share | 25.00 |
| Reserve and surplus | 15.00 |
| Bills payable | 5.00 |
| Accrued expenses | 5.00 |
| Plant and Machinery | 15.00 |
| Furniture and fixture | 10.00 |
| Cash at Bank | 5.00 |
| Investments | 5.00 |
| Prepaid expenses | 2.00 |
| Long term loan | 10.00 |
| Debenture | 15.00 |
| Preference share | 10.00 |
| Bank overdraft | 5.00 |
| Bills receivable | 0.80 |
| Vehicle | 10.00 |
| Carpet and curtain | 10.00 |
| Contingent liability | 1.00 |
| **Total** | **201.00** |

**(TEE 2009)**

**BALANCE SHEET-MISCELLANEOUS PROBLEMS**

Q.48.Give the figures for (a) Owner’s Equity (b) Fixed assets (c) Current Assets (d)

Current Liabilities

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Rs.** |  | **Rs.** |
| 50,000 Equity Shares of Rs. each | 5,00,000 | General Reserve | 30,000 |
| 1,000 preference shares of Rs. 100 each | 1,00,000 | Profit and Loss Account | 20,000 |
| Land & Building | 3,00,000 | Debenture | 1,00,000 |
| Plant & Machinery | 2,25,000 | Sundry Debtors | 80,000 |
| Furniture & Fixture | 75,000 | Stock | 40,000 |
| Office Equipment | 45,000 | Sundry Creditors | 60,000 |
| **Contingent Liability** | **1,00,000** | Bills Payable | 10,000 |
| Outstanding Liability | 20,000 | Cash in hand | 20,000 |
|  |  | Cash at Bank | 45,000 |
|  |  | Deferred Revenue expenditure | 10,000 |

**(TEE – 1996)**

Q.49. From the following information calculate the following items:-

1. Owner’s Equity
2. Fixed Assets
3. Current Assets
4. Current Liabilities

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Rs.** |  | **Rs.** |
| Equity share Capital | 2,00,000 | General Reserve | 30,000 |
| Outstanding Liabilities | 20,000 | Prepaid Expenses | 10,000 |
| Land & Buildings | 1,50,000 | Cash in Hand | 40,000 |
| Plant & Machinery | 75,000 | Sundry Debtors | 30,000 |
| Closing Stock | 40,000 | Sundry Creditors | 25,000 |
| Office Equipments | 10,000 | Loose Tools | 5,000 |
| Bills Payable | 32,000 | Rent due | 3,000 |
| Profit and Loss Account | 40,000 | Debentures | 10,000 |
| Dividend Equalization Fund | 50,000 | Bills Receivable | 20,000 |

**(TEE-2003)**

Q.50. Draw a Balance sheet in order of permanent form the following data

Given below as at 31st December 2002.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Rs.** |  | **Rs.** |
| 50000 Equity shares of Rs. 100/- each | 50,00,000 | Plant & machinery | 15,00,000 |
| 50000 preference shares of Rs.100/-  Each | 5,00,000 | Sundry debtors | 8,00,000 |
| Outstanding expense | 50,000 | Stock | 4,00,000 |
| Contingent Liability | 1,00,000 | Furniture | 7,50,000 |
| General Reserve | 1,00,000 | Office Equipment | 4,50,000 |
| Debentures | 2,00,000 | Kitchen equipment | 7,50,000 |
| Land & Building | 15,00,000 | Carpet, Curtains and furnishing | 2,50,000 |
| Account Payable | 5,50,000 | Profit and Loss Account | 4,00,000 |
| Cash in hand | 50,000 | Vehicles | 2,00,000 |
| Cash at Bank | 2,00,000 | Provision for Tax | 1,00,000 |
|  |  | Deferred Revenue Expenditure | 50,000 |

**(TEE-2004)**

Q.51. From the following information, prepare Balance Sheet**:-**

|  |  |
| --- | --- |
|  | **Rs.** |
| Creditors | 7,000 |
| Capital | 25,000 |
| Net profit | 2,300 |
| Bank | 4,000 |
| Debtors | 1,500 |
| Furniture | 1,500 |
| Land | 10,000 |
| Bills Payable | 4,000 |
| Drawings | 2,000 |
| Cash | 1,600 |
| Bills Receivable | 2,000 |
| Closing stock | 10,000 |
| Plant | 5,700 |

**(TEE 2004)**

**OCTOBER,2010**

Q.51

Following is the Balance Sheet of Hotel Vivanta as on 31st December, 2009, You are required to arrange the same in vertical form:-

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount | Assets | Amount |
| Share Capital: Equity Share | 1,00,000 | Fixed Assets | 260,000 |
| 10% Preference Share | 20,000 | Cash in hand | 10,000 |
| Reserve | 80,000 | Marketable Securities | 30,000 |
| Bills Payable | 20,000 | Debtors | 40,000 |
| Debentures | 12,000 | Stock | 60,000 |
| Liability for expenses | 2,000 |  |  |
| Tax Provision | 26,000 |  |  |
| **TOTAL** | **4,00,000** |  | **4,00,000** |

**(TEE-2011)**

**2**

**INTERNAL CONTROL**

**INTRODUCTION**

All business operations need strong internal controls to monitor and maintain the quality of goods and services they provide and thereby maximize profits, especially in the long run. Strong internal controls are critical for hospitality operations because:-

1. Many sales transactions involve cash.
2. There are innumerable transactions a day
3. Many employees handle cash at the front office desk, in restaurants, and in beverage operations.

**DEFINITION**

“The whole systems of controls, financial and otherwise established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records” AICPA { American Institute of Certified Public Accountants}

**OBJECTIVES**

According to AICPA, the four objectives of internal control are as follows:

**1. SAFEGUARDING ASSETS**

Assets are resources such as cash, inventory, equipment, buildings, and land. A major objective of internal control is to protect these assets ie.

1. Protect the existing assets from loss such as theft.
2. Maintenance of resources especially equipment to ensure efficient utilization.
3. Safeguarding of inventories for resale, to prevent waste and spoilage.

2. **CHECK ACCURACY RELIABILITIY OF ACCOUNTING**

**DATA**

Accurate and reliable accounting information must not only be available for reports to owners, government agencies, and there outsiders, but is also necessary for management’s own use in internal accomplished by adopting uniform systems of accounts.

3**. PROMOTE OPERATIONAL EFFICIENCY**

Operational efficiency results from providing products and services at a minimum cost. In a hospitality establishment, training programmes and proper supervision promote operational efficiency. For eg. When room attendants are properly trained, and supervised, the cost of cleaning room is lower.

4. **ENCOURAGE ADHERENCE TO PRESCRIBED MANAGERIAL POLICIES**

Another objectives of internal control can only be achieved instituting the many methods and measures of control: For eg. To help to safeguard assets, and organization might maintain a safe for holding cash overnight. Another procedure to safeguard cash may require that cash receipts be deposited with bank when they total (for eg) Rs. 5000/-

1. Management leadership
2. Organizational structure
3. Sound Practice
4. Competent and trustworthy personnel
5. Segregation of duty
6. Authorization procedure
7. Adequate records
8. Procedure manuals
9. Physical controls
10. Budget and internal reports
11. Independent performance checks

**1. MANAGEMENT LEADERSHIP**

Management’s leadership is the key to any hospitality operation’s highest level policies and management communicate and enforces the policies. These policies should be clearly stated and communicated to all management levels.

**2. ORGAIZATIONAL STRUCTURE**

The organization chart represents the organizational structure of an operation. Staff must know the organization chart and follow the chain of commands.

**3. SOUND PRACTICES**

These are policy measure generally set up by board directions to create and environment which will facilities internal control.

For eg;-

Getting a fidelity insurance from a cashier.

4**. COMPETENT AND TRUSTWORTHY PERSONNEL**

In the hospitality industry, the major difference between competitors is generally the quality of service, which is the result of staff competency. For eg. “Service with smile “ may often be more important than quality of food served.

**5. SEGREGATION OF DUTIES**

This involves assigning different persons to the function of accounting, custody of assets, and production. Duties within accounting function should be segregated.

**6. AUTHORIZATION PROCEDURE**

Management must properly authorize every business transaction. Management provides general authorization for employees to follow in the normal course of performing their jobs.

**7. ADEQUATE RECORS**

Documents for recording transaction are essential to effective internal, control. They include such forms as registration cards, guest checks, pay roll checks, receiving reports, purchase orders, etc. ----

**8. PROCEDURE MANNUALS**

Each, job within hospitality operation, can be reduced to writing. The procedure manual should list the details of each position including how when to perform each task.

**9. PHYSICAL CONTROLS**

These reports are an important part of an operation’s communication systems. When budgets are used for control purpose, they help to ensure that management’s goals will be strained. If there is a variation between budgets and actual, appropriate action can be taken by management.

**10. INDEPENDENT PERFORMANCE APRAISAL**

This is designed to ensure that other elements of internal control system are functioning properly. In order for a performance check to be successful, it must be independent of the personnel responsible for the data being checked.

**3**

**INTERNAL AUDIT & STATUTORY AUDIT**

**INTRODUCTION**

*“ Auditing is an important professional task carrying heavy responsibility and carrying for commensurate skill judgement”*

In the early stages of civilization the methods of maintaining accounts were very crude. The size of business houses were very small and with little amount of capital, the number of transactions to be recorded was so small that each individual was in a position to maintain his accounts and check for himself all his transactions. Hence it was thought to be a sheer waste of time and money to get the accounts checked by someone from outside.

**ORIGIN OF AUDITING**

The origin of auditing maybe traced back to the 18th century when the practice of large scale production was developed as a result of industrial revolution.

The word audit is derived from the Latin word ‘auditure’ which means to her. Originally, it was customary for persons responsible for maintenance of accounts to go to some impartial and experienced persons, ordinarily judges, who used to hear these accounts and express their opinion about their correctness or otherwise. Such persons were known ‘auditors’. Thus the terms ‘ auditor ‘ means literally ‘one who hears’ and is used ever since the days when public accounts were accepted and approved on the basis of hearing the accounts read.

**AUDITING IN INDIA**

The chartered Accountants Act was passed in 1949 and it came into force on July, 1, 1949. On passing of this Act the regulation, control, and management of the profession passed from the central government to the professional body ie in the hands of the Institute of Chartered Accountants of India which was formed as per the provisions of the said Act. Now, a person has to follow the rules and regulations of this

Institute to pass the examination conducted by it. Only then he can obtain his certificate of Chartered Accountant (C.A)

**DEFINITION OF AUDITING**

It is a bit difficult to give a precise definition of the word “ audit “ in a world or two. Originally, its meaning and use was confined merely to cash audit, ie, and auditor had to ascertain whether the person responsible for the maintenance of accounts had properly accounted for all the cash receipts on behalf of his principal. But now, it has a wide usage and it now means a thorough scrutiny of the books of accounts and its ultimate aims is to verify the financial position disclosed by the balance sheet and Profit & Loss account of a company.

**Spicer Pegler**

“ Such an examination of the books, accounts, and vouchers of a business, as will enable the auditor to satisfy himself that the balance sheet is properly drawn up, so as to give a true and fair view of the state of affairs of the business and whether the profit and loss account gives true and Fairview of profit or loss for the financial period, according to the best of his information and the explanation given to him and as shown by the books and if not, in what respects he is not satisfied.

Institute of Chartered Accounts of India ( ICAI), New Delhi describes auditing as “the independence examination of financial information of any entity, whether profit oriented or not, and irrespective of its size or legal form, when such examination is conducted with a view to expressing an opinion thereon”.

Another comprehensive definition is given by the American Accountants Association (AAA) “Committee on Basic Auditing Concepts”. According to the definition “Auditing is a Systematic Process of Objectively Obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions as established criteria and communicating the results to interested users.

**Montgomery**

“Auditing is a systematic examination of the books and records of a business or other organization in order to ascertain or verify and to report upon the facts regarding its financial operation and the result thereof.”

**R. B. Bose**

Audit may be said to be the verification of the accuracy and correctness of the books of accounts by independent person qualified for the job and not in any way connected with the preparation of such accounts.

**Duties of an Auditor**

1. To check the arithmetical accuracy of the accounts

2. To check the books of accounts with the help of all the relevant

Vouchers, invoices correspondences, minute books, etc....

3. To verify the assets and liabilities shown in the Balance sheet.

4 To report to the client on the basis of his findings.

**Qualities of an Auditor**

An Auditor should be a chartered Accountant. Without obtaining the certificate of a Chartered Account, he cannot be appointed as an auditor of a public company. So far as his qualities are concerned, some of them are inherent in him while there are others which he has to acquire. He should be an expert in his work while on the other hand, he should be a man of character and noble behaviour. Ordinarily the auditor must possess the following qualifications and qualities.

1. An auditor must be well versed in the fundamental principles and

Practice of all the aspects of accounting.

2. He must have a thorough knowledge of cost accounts so as to

Enable him to do cost audit.

3. He should have a thorough knowledge of the company law and

Mercantile Law and also of the principles and practice of auditing.

4. He should also be familiar with Economic and Economic Laws.

5. He should study the audit case laws.

6. He should have a good knowledge of industrial management,

financial administration, and business organization.

7. He should be honest.

8. He should be very cautious and vigilant.

9. He should be methodical, hardworking accurate.

10. He should not disclose the secrets of his client.

**CLASSIFICATION OF AUDIT**

**STATUTORY AUDIT**

In the case of many undertaking, audit is made compulsory under statute. It is so because these undertakings are established by statue The audit of their accounts is termed as statutory audit.

Eg. Audit of companies, Trusts, etc.

**INTERNAL AUDIT**

By virtue of the organizational pattern some business institutions appoint auditors who are made responsible to have a constant and regular review of their accounts. Such a cadre of auditors is a permanent nature and helps a lot in the detection and prevention of errors and frauds. It is true that the scope and objective of internal audit are likely to vary from business to business depending upon the different nature of the organization.

Such auditors are known as internal auditors who, besides checking the accounts, are required to report also so to know how the system of accounting can be improved and the systems of internal appointed as public auditors or a external auditors and hence are excepted to know the minor details of accounting pattern adopted in the business, they are not required to submit their reports in the manner in which external auditors do.

In short internal audit is the examination of books and accounts which is conducted by the salaried officials of a business as internal auditors throughout the year. Internal audit is thus an independent appraisal of activity within an organization operations. It renders a productive and constructive service to management. It is optional.

**ROLE OF INTERNAL AUDITOR**

The role of internal auditor normally involves the following verifying, testing and reporting etc.

1. Financial information required by management.

2. Costing information required by management. Eg. Budgets,

Variances, cash forecasts etc.

3. Effectiveness of internal control system preventing loss of assets or

manipulation of accounting data.

4. Strengths of controls in non-accounting areas such as administration and

selling.

5. Efficiency of company’s management particularly in the way in which it

formulates plans, policies and decisions.

**REQUIREMENTS OF INTERNAL AUDIT DEPARTMENT**

The effectiveness of the department is department is depend upon number of factors including.

**1. Independence**

The internal audit department should be fully independent of the staff whom it is investigating. Internal auditors should not be appointed by the Accounts Manager since it is the work of the internal auditor is in fact reporting

**2. Qualifications**

The qualifications and experience of the internal auditor should be appropriate.

**3. Adequate staffing**

There should be an adequate number of persons able to carry out the work.

**4. Scope and type of work**

Complete freedom would be given to the internal audit department by the management to carry out its work as it thinks fit, have access to books and records.

**Distinction between Internal Audit and Statutory Auditing**

1. Appointments. Internal auditor is appointed by the management while the statutory auditor is appointed by the shareholders except in certain cases when he is appointed by the directors of the company or the Government.

Appointment of internal auditor is optional while that of the statutory auditor is obligatory. Again appointment in the former case is according to the decision of the management while that of the statutory auditor is according to the Companies Act.

1. **Qualifications**. Internal auditor need not possess the qualifications as are laid down under. Sections 226 of the Companies Act while a statutory auditor must have those qualifications: ie, he should be a chartered accountant.
2. **Status**. Internal auditor is an employee of the company while the statutory auditor is independent person.
3. **Conduct of Audit**. An internal audit is a kind of continuous audit while a statutory am is generally conducted after the preparation of the final accounts.
4. **Scope of Work**. The scope of the work by the internal auditor is determined by management while the scope of the work by and the responsibilities of the statutory auditor are determined by law.
5. **Objective**. An internal auditor has the primary duty to find out whether any error or fraud has been committed while the statutory auditor has to report whether the balance sheet and the profit and loss account of a company have been drawn up in conformity with law and whether they show true and fair view of the state of affairs of the company.

Detection of errors and frauds are incidental duties of statutory auditor.

7. **Determination of Duty**. The scope and duties of an internal auditor

can be reduced while it is not so in the case of statutory auditor.

8. Internal auditor has to make suggestions to the management as to how

to run the business efficiently and to avoid wastages but a statutory auditor

need not do so unless he is specifically asked.

9. Internal auditor has to check all the transactions while the statutory

auditor may apply test checks.

10**. Report**. Internal auditor has not to submit any report to the shareholders while a statutory auditor has to do so.

11. **Application of Chartered Accountants Act**. Internal auditor cannot be prosecuted for professional misconduct unless he is a Chartered Accountant while a statutory auditor can be prosecuted .

12. **Removal**. Internal auditor can be removed by the management or the directors while a statutory auditor can be removed only by the shareholders and not by the management or the directors.

13. The internal auditor acts as a watch-dog for the directors while the statutory auditor has to act as a watch-dog for the shareholders.

14. Internal audit is carried out for the satisfactions of the management of the concern while the statutory audit is carried out for the satisfactions of the shareholders and third parties for the financial data.

15. **Remuneration**. Remuneration of the internal auditor are fixed by the management White for the statutory auditor they are fixed by the shareholders.

16. **Attendance at Meetings.** Internal auditor has no right o attend a meeting of the share holders while a statutory auditor are periodic, usually for a year.

17. The activities of the internal auditor are continuous while those of the statutory auditor are periodic, usually for a year.

The internal audit is not made compulsory under Companies Act. However it is desirable to have internal audit. Under section 227-4A the company auditor has to make specific comment on various matters covered under an order notified by central government, (called MAOCAR order). The statutory auditor is required to evaluate the efficacy of internal audit system in cases of companies whose paid up capital exceed 25 lakhs or whose turnover on an average during the period of the three years preceding financial years cross Rs.2 crores.

**INTERNAL CHECK**

**Definition**

The internal check is an arrangement of the duties of the staff members of the accounting functions in such a way that the work performed by a person is automatically checked by another.

In the opinion of **Spicer and Pegler**, “A system of internal check is an arrangement of staff duties, whereby no one person is allowed to carry through and to record every aspect of a transaction, so that without collusion between two or more persons, fraud is activated and at the same time the possibilities of errors are reduced to the minimum”.

Internal check has been defined by the **Institute of Chartered Accountants of England and Wales** as “the checks on day to day transactions which operate continuously as part of the routine system where the work of one person proved independently or in complementary to the work of another the object being the prevention or early detections of errors or fraud”.

**L.R. Dicksee** defines Internal Check as “Such an arrangement book-keeping routine that errors and frauds are likely to be prevented or discovered by the very operation of the book keeping itself”

**F.R.M de Pauk defines it as “**Internal check means practically a continuous internal audit carried on by the staff itself, by means of which the work at each individual is independently checked by other members of the staff”.

**Professor A.W. Johnson** defines ”Internal control system as one wherein the accounting work of the employee is complemented and verified by the work of another employee-both employee working independently and without duplication of each other work”.

On the basis of the above definitions, it may be concluded that “Internal check is a system where the work is divided amongst the employees in such a manner that not a single individual is allowed to carry on the whole function from the beginning to the end and the work of an individual is being automatically checked by another”.

**AUDIT FOR HOTELS**

General guidelines

1. The auditor should first of all examine, the system or internal check in detail with regard to the purchase, issue, payment, etc of provisions, stores, wines, linens etc.

2. He should also familiarizes himself with the system of book keeping in vogue in the hotel. This is very necessary.

**INCOME**

3. The receipts from guest should be checked by reference to records made in the cash book.

4. For balances outstanding the personal ledger should be examined.

5. Other receipts should be carefully examined

**EXPENDITURE**

6. He should see that proper distinction has been made between capital and revenue

7. The payment of wages, salaries etc. should be vouched.

8. The petty cash payments should be thoroughly checked.

9. It should be been that the expenses incurred on painting,

Equipment etc. are spread over a reasonable number of years.

**MISCELLANEOUS**

10. He should see that all assets and liabilities are properly and distantly shown in the Balance Sheet.

11. He should see that all assets are adequately depreciated.

**NIGHT AUDITING IN HOTELS**

Job : Income Accountant

Category : Supervisory

Responsible : 1. Income Accountant

2. Chief Accountant

Job Definition : Compile and audit all revenue

Transactions and reconcile the revenue

Statements of outlets with the from office

Accounting machine with a view to prepare a daily report of the day’s business.

Directly Controls : Front-Office Cashiers/Supervises

Assigned Area of : Desk back office

Activity Front Desk Cashiers Cage

Hours of Operation : Basically 8 hours at night but hired

For job completion

Authority : Can question front office and restaurant

Cashiers to ensure all transactions are

Accounted for.

Worked Performed : 1. Reconcile all revenue statements

from outlets with the machine.

2. Verify and Validate front office

Cashier’s Vouchers/forms

3. Check guest folios

4. Verify Front Office Cashiers

Report

5. Prepare a statement of bills over a

Specified amounts

6. Prepare Daily transcript

7. Audit Night Receptionist’s Room

Report

8. Account for city ledger credit

Amounts

Coordinates with : Front Office Cashier

All cashier of revenue outlet

**MISCELLANEOUS TOPICS FOR EXAM**

**Share Capital**

As per companies Act, 1956, only 2 kinds of capital can be raised by a company limited by shares viz – equity share capital as preference share capital

**Ordinary / Equity Share Capital**

As per Sec 85, all share capital which is not preference share capital is equity share capital. It is made up of ordinary shares. They form the residuary group, because they are entitled to share after preference shares are paid their preferred payments as regards dividend and capital. The equity / ordinary share holders are therefore the members who run the company and are its proprietors.

**Preference Share Capital**

Preference share capital means as per Section 85 that part of the share capital of a company which fulfils both the following requirements, viz.

1. That as respects dividends it carries or will carry a preferential right to be paid a fixed amount / an amount calculated at fixed rate.

2. That as respects capital is carries / will carry on a winding up or repayment of capital, a preferential right to be repaid the amount and the capital paid up.

**4**

**DEPARTMENTAL ACCOUNTING**

Q.1. Define departmental accounting explain the various method to find

Out profits under this method.

Q.2. Distinguish between allocation and apportionment.

**DEFINITION & OBJECTS**

A method of book keeping and accounting the purpose of which is to find out how much profit or loss is produced by each section or department of a business.

Department means revenue producing departments eg. Rooms. F&B outlet

Object: To find out business result of each department.

To take corrective action if a particular department is running in loss.

Example

**ABC CATERING LTD – DEPARTMENTAL INCOME STATEMENT**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Items** | Dept. A  (Rs.) | Dept. B  (Rs.) | Dept. C  (Rs.) | Total  (Rs.) |
| Sales  Less cost | 6,000 | 20,000  14,000 | 25,000  26,000 | 55,000  46,000 |
| Profit/Loss | 4,000 | 6,000 | (-1,000) | 9,000 |

Here the loss of Dept. C is reveled only by Departmental accounting.

**BOOK KEEPING RECORDS**

Subsidiary books with analytical columns should be kept.

Eg. A restaurant has 3 revenue producing department – food, beverage,

& tobacco.

**DEPARTMENTAL PURCHASE BOOK**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Date | Supplier’s  Name | Invoice  No. | Food  Rs. | Beverage  Rs. | Tobacco  Rs. | Total  Rs. |
| 2010  Jan 1  Jan 2  Jan 15 | Grand Bazaar  Bevco Ltd.  Big Bazar | 16  17  25 | 200  -  - | -  5000  - | -  -  1000 | 200  5,000  1,000 |
| Total |  |  | 200 | 5000 | 1000 | 6,200 |

**How to find out profit**

**GROSS PROFIT**

**METHODS DEPARTMENTAL**

**NET PROFIT**

**Gross Profit Method “**

* Commonly used in Hotels
* Analysis items in Trading A/c’s only (Stock, Purchases etc)
* Aims is to control Bar Profit / Kitchen Profit/ Gross Profit
* In P & L account common expenses & Incomes are entered.

Merits – Simple to use

**Demerits** : No attempt to control departmental expenses such as wages, salaries lighting, healing etc,

In G.P. method Trading A/c is prepared in the columnar/tabular form. But P& L a/c in the usual method (ie. One column only).

Format Name of the Firm.............................

**FORMAT**

**DEPARTMENTAL TRADING & PROFIT & LOSS ACCOUNT**

**(Gross Profit method)**

**Dr. Cr.**

|  |
| --- |
| Particulars Dept. Dept Total Particular Dept. Dept. Total  A Rs. B Rs. A Rs. B Rs. Rs.  Rs.  To opening xxx xxx xxx By sales xxx xxx xxx  Stock (Net)  “Net  Purchases xxx xxx xxx By closing xxx xxx xxx  stock  Other direct xxx xxx xxx  Expenses  “G.P. c/d xxx xxx xxx    **TOTAL xxx xxx xxx xxx xxx xxx**  To Salaries xxx By G.. b/d xxx  “Office rent xxx “Commission xxx  ‘Admn. Exp. xxx “Rent xxx  “Depreciation xxx Received  “N.P.c/d xxx “Discount xxx  xxx xxx  ======= ====== |

**DEPARTMENTAL PROFIT METHOD**

* Needs elaborate set of records.
* So applied only in large hotels & catering units
* Aims is to control departmental profit of each dept.

**Dept Profit. = Departmental sales – Departmental Expenses**.

The following A/c’s are prepared.

1. Trading & P&L A/c (in tabular or columnar form)
2. General P&L A/c (To record common expenses & common

Income/expense incurrent for the common benefit of business as a whole)

**Merits:** Imposes responsibility upon departmental managers.

**Demerits**: Administration expense will be very high.

**NET PROFIT METHOD**: All expenses are debited or charged to the revenue producing departments to arrive at the exact net profit of each dept

**CLASSIFICATION OF EXPENSES**

1. Direct: Can be allocated (Trading a/c)
2. Indirect:(Overheads)- Apportioned (P&L A/c)

**Direct Expenses**

Expenses incurred or originate from a certain dept.

Eg. Cost of kitchen wages-Debited against food sales.

Barman’s wages-Debited against Bar sales.

**Note**:- Direct Expenses will be given separately and it should be entered in Trading A/c. it is called allocation.

**Indirect expenses/Overhead** : Expenses incurred on the behalf of the business as a whole.

There are apportioned / split on some fair and responsible basis between all depts.

Eg. Rent & Rates – Apportioned on the basis of floor space of each dept.

GM’s Salary - Turnover of each dept.

Depreciation - Value of asset

Electricity Charge - Plug points/meter readings

Building tax or insurance premium - Floor space

Apportioned expenses are shown in P&L a/c

**Note:-** In exam. Question student will be given the percentage/ratio for

Apportioning expenses. To P&L A/c

Allocation Vs Apportionment

|  |  |
| --- | --- |
| 1. Direct expenses | Indirect Expenses /Overhead |
| 2. Shown in Trading A/c | Shown in P&L A/c |

**Merits –Net Profit Method**

1. Show department wise profit or loss
2. More accurate information

**Demerit**

Controversy regarding methods of apportionment

**Balance Sheet**

* Preparation is same.
* Stock of each department should be shown separately in the under column.

**BALANCE SHEET**

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Rs. | Assets | Rs. |
|  |  | Closing stock  Dept. A...  Dept. B... | xxx |

**PROBLEMS BASED ON GROSS PROFIT METHOD**

Q.52. Compile a trading as profit and loss account (department wise)

From the details showing the maximum amount of information possible.

**Turnover for the period: Rs.**

Room 70000

Food 55900

Liquor and tobacco 42500

Other income 5200

**Purchases for the period:**

Food 21700

Liquor and tobacco 24650

**Stock beginning of the period:**

Food 870

Liquor and tobacco 3460

**Stock at the end of the period**:

Food 1100

Liquor and tobacco 4000

**Wages for the period**

Rooms 6150

Food 15740

Liquor and tobacco 8490

**China, glass and linen consumed during the period**:

Rooms 1400

Food 2060

Liquor and tobacco 1850

**Heat, light and power for the period**:

Kitchen 430

General 1810

Repairs and maintenance 12200

Depreciation 7500

Administrative expenses 5450

Sales advertising and promotion 3800

Rates 9900

Sundry other expenses 7150

**(TEE 1990)**

Q.53.Compile a trading and profit and loss account(department wise)

From the details showing the maximum amount of information possible.

Turnover for the period:Rs.

Rooms 140,000

Food 111,800

Liquor and tobacco 85,000

Other income 10,400

Purchases for the period:

Food 43,400

Liquor and tobacco 49,300

Stock beginning of the period**:**

Food 1,740

Liquor and tobacco 6,920

Stock at the end of the period:

Food 2,200

Liquor and tobacco 8,000

Wages for the period

Rooms 12,300

Food 31,480

Liquor and tobacco 16,980

China, glass and linen consumed during the period:

Kitchen 860

General 3620

Repairs and maintenance 24,00

Depreciation 15,000

Administrative expenses 10,900

Sales advertising and promotion 7600

Rates 19800

Sundry other expenses 14,300

**(TEE 1994)**

Q.54. Following balances were extracted from the accounts of Star Restaurant at

31st December 2002:

|  |  |
| --- | --- |
| **Stock at 1st January 2002:** | **RS.** |
| Food | 10,000 |
| Beverage | 8,000 |
| Cigarettes | 1,500 |
|  |  |
| **Purchases:** |  |
| Food | 1,90,000 |
| Beverage | 95,000 |
| Cigarettes | 12,000 |
|  |  |
| **Sales:** |  |
| Food | 4,20,000 |
| Beverage | 2,30,000 |
| Cigarettes | 16,000 |
| Wages & Salaries | 40,000 |
| Light & Heat | 18,000 |
| Cleaning materials | 3,000 |
| Postage & Stationary | 1,500 |
| Laundry | 3,000 |
| Rent & Taxes | 8,000 |
| Advertising | 5,000 |
| Repair and replacement | 1,000 |
| Depreciation | 10,000 |

You are required to prepare the Restaurant’s Trading, Trading, Profit and Loss

Account for the year ended 31st December 2002. Stock at 31st December 2002 were:

Food Rs. 8,000

Beverage Rs. 6,000

Cigarette Rs.1,000

**(TEE 2004)**

**PROBLEMS BASED ON NET PROFIT METHOD**

Q.55. Prepare an Income Statement according to a suitable method of departmental Accounting from the following information’s.

|  |  |
| --- | --- |
| **Sales** | **Rs.** |
| Restaurant | 5,00,000 |
| Banquet | 3,00,000 |
| Bar | 2,00,000 |
| **Cost of Sales** |  |
| Restaurant | 2,00,000 |
| Banquet | 1,00,000 |
| Bar | 75,000 |
| **Wages& Salaries** |  |
| Restaurant | 90,000 |
| Banquet | 35,000 |
| Bar | 20,000 |
| **Repairs & Maintenance** |  |
| Restaurant | 25,000 |
| Banquet | 18,000 |
| Bar | 7,000 |
| Gas & Electricity | 30,000 |
| Rent & Rates | 70,000 |
| Depreciation | 60,000 |
| Postage & Telegram | 15,000 |
| Advertising | 30,000 |
| Laundry & Cleaning | 5,000 |
| Office & Administrative |  |
| Expenses | 40,000 |

**NOTE**

Unallocated expenses are to be appointed according to following basis:

1. Gas and electricity- Restaurant 50% Banquet 30% and Bar 20%

2. Rent & Rates, Deprecation according to floor area occupied, which is Restaurant 50%. Banquet 40% and Bar 10%

3. All other expenses in the ratio of turnover.

**(TEE1991)**

Q. 56. The Modern Resorts Co. Ltd. operates an establishment consists of :

a. restaurant

b. banqueting department

c. bar

The company operates a system of departmental accounts an periodically separate trading

results are obtained for each department of the business.

From the following information you are requires to prepare the company’s income statement

for the year ended 32st Dec, 19.

|  |  |  |
| --- | --- | --- |
| Sales: | | Rs. |
|  | Restaurant | 250,000 |
|  | Banquet | 150,000 |
|  | Bar | 200,000 |
| Cost of food & beverage sold: | | |
|  | Restaurant | 100,000 |
|  | Banquet | 50,000 |
|  | Bar | 75,000 |
| Wages & Salaries | | |
|  | Restaurant | 75,000 |
|  | Banquet | 37,500 |
|  | Bar | 15,000 |
| Repairs & Replacement | | |
|  | Restaurant | 10,500 |
|  | Banquet | 6,500 |
|  | Bar | 4,000 |
|  |  |  |
|  | Gas & Electricity | 30,000 |
|  | Rent & Rates | 60,000 |
|  | Depreciation | 70,000 |
|  | Postage & Telegram | 5,000 |
|  | Advertising | 40,000 |
|  | Laundry & Cleaning | 6,000 |
|  | Office & Admn. expenses | 60,000 |

NOTE: Expended which cannot be allocated to a particular dept.- are apportioned as follows:

a. Gas and electricity:

Restaurant 55%

Banqueting 30%

Bar 15%

b. Rent rates and depreciation are apportioned on the basis of floor space occupied, viz:

Restaurant 50%

Banqueting 30%

Bar 20%

c. All other expenses are apportioned on the basis of turn over

|  |
| --- |
|  |

**(TEE 1992)**Q. 57.The Ramleela Hotels Ltd. operates an establishment consisting of:

a. restaurant

b. room

c. bar

The company operates a system of departmental accounts an periodically separate trading results are obtained for each dept. Of the business.

From the following information you are requires to prepare the company’s income statement for the year ended 31st March 19....

|  |  |
| --- | --- |
| **Sales** |  |
| Restaurant | 5,00,000 |
| Banquet | 6,00,000 |
| Bar | 2,00,000 |
| **Cost of Sales** |  |
| Restaurant | 2,00,000 |
| Banquet | 1,00,000 |
| Bar | 75,000 |
| **Wages& Salaries** |  |
| Restaurant | 1,45,000 |
| Room | 1,50,000 |
| Bar | 15,000 |
| **Repairs & Replacement** |  |
| Restaurant | 21,000 |
| Room | 26,000 |
| Bar | 4,000 |
|  |  |
| Gas & Electricity | 30,000 |
| Rent & Rates | 60,000 |
| Depreciation | 70,000 |
| Postage & Telegram | 5,000 |
| Advertising | 40,000 |
| Laundry & Cleaning | 6,000 |
| Office & Administration expenses | 60,000 |

NOTE: Expenses which cannot be allocated to particular departments apportioned as follows:

|  |  |
| --- | --- |
| a. gas & electricity |  |
| Restaurant | 60% |
| Room | 30% |
| Bar | 10% |
|  |  |

b. rent, rates and depreciation are apportioned on the basis of floor space occupied, viz:

|  |  |
| --- | --- |
| Restaurant | 30% |
| Room | 60% |
| Bar | 10% |
|  |  |

c. all other expenses are apportioned on the basis of turnover

**(TEE 1993**

Q.58.prepare an income statement according to a suitable method of departmental accounting from the following information

|  |  |  |  |
| --- | --- | --- | --- |
|  | Rs. |  | Rs. |
| **Sales** |  | Gas & Electricity | 30,000 |
| Restaurant | 5,00,000 | Rent & rates | 70,000 |
| Banquet | 3,00,000 | Depreciation | 60,000 |
| Bar | 2,00,000 | Postage & Telegram | 15,000 |
| **Cost of Sales** |  | Advertising | 30,000 |
| Restaurant | 2,00,000 | Laundry & Cleaning | 5,000 |
| Banquet | 1,20,000 | Office & Administrative  expenses | 40,000 |
| **Wages & Salaries** |  |  |  |
| Restaurant | 90,000 |  |  |
| Banquet | 35,000 |  |  |
| Bar | 20,000 |  |  |
| **Repairs & Maintenance** |  |  |  |
| Restaurant | 25,000 |  |  |
| Banquet | 18,000 |  |  |
| Bar | 7,000 |  |  |

Note : Unallocated expenses are to be apportioned according to following basis :

(a) Gas & electricity \_ Restaurant 50%. Banquet 30% and Bar 20%.

(b) Rent & Rates and Depreciation according to floor area occupied, which is, Restaurant 50%, Banquet 40% and Bar 10%.

(c) All other expenses in the ratio of turnover.

**(TEE 1996)**

Q. 59. The following balances were extracted from the accounts of Moon Restaurant at

31st December, 1997.

**Stock at 1st January, 1997: (Rs.)**

|  |  |
| --- | --- |
| Food | 10,150 |
| Beverage | 8,500 |
| Cigarettes | 1,500 |
| **Purchases :** |  |
| Food | 1,95,000 |
| Beverage | 95,000 |
| Cigarettes | 12,000 |
| **Sales :** |  |
| Food | 4,25,000 |
| Beverage | 2,35,000 |
| Cigarettes | 14,000 |
| Wages and Salaries | 49,000 |
| Light and Heat | 19,000 |
| Cleaning Materials | 3,100 |
| Postage and Stationary | 1,500 |
| Laundry | 4,900 |
| Rent and Taxes | 8,000 |
| Advertising | 5,000 |
| Repair and Replacement | 1,000 |
| Depreciation | 14,000 |

You are required to prepare the Restaurant’s Trading, Profit and Loss account for the year ended 31st December, 1997

Stock at 31st December, 1997 were valued as follows:-

Food : Rs. 8,500

Beverage : Rs. 6,000

Cigarettes : Rs. 1,200

All indirect expenses are to be apportioned on the basis of sales or turnover.

**(TEE 1998)**

**Q.60. Prepare a Departmental Income Statement from the following information;**

**Sales Rs.**

|  |  |
| --- | --- |
| Restaurant | 8,00,000 |
| Rooms | 6,00,000 |
| Bar | 2,00,000 |
| **Cost of sales** |  |
| Restaurant | 1,80,000 |
| Rooms | 1,00,000 |
| Bar | 40,000 |
| **Wages and Salaries** |  |
| Restaurant | 1,00,000 |
| Rooms | 80,000 |
| Bar | 10,000 |
| **Repairs & Maintenance** |  |
| Restaurant | 20,000 |
| Rooms | 10,000 |
| Bar | 5,000 |
|  |  |
| Gas and electricity | 20,000 |
| Rend and Taxes | 15,000 |
| Depreciation | 12,000 |
| Postage and Telegrams | 5,000 |
| Advertising | 10,000 |
| Insurance | 5,000 |
| Office and Administration expenses | 10,000 |

Unallocated expenses are to be apportioned based on the following :

(a) **Gas and Electricity**

Restaurant - 40%

Rooms - 40%

Bar - 20%

(b) **Rent & Taxes and Depreciation**

Restaurant - 50%

Rooms - 20%

Bar - 30%

(c) All other expenses are apportioned on the basis of sales.

**(TEE 2007)**

**Q.**61. Prepare a Profit & Loss Account Under Net Profit method of Department

Accounting from the information given below as on 31st December 1998.

|  |  |  |  |
| --- | --- | --- | --- |
| **Sales** | **Rupees** | **Power & Fuel** | **Rupees** |
| Restaurant | 5,00,000 | Restaurant | 20,000 |
| Banquet | 3,00,000 | Banquet | 10,000 |
| Bar | 2,00,000 | Bar | 5,000 |
|  |  |  |  |
| **Cost of sales** |  | **Unallocated expenses** |  |
| Restaurant | 1,50,000 | Advertisement | 30,000 |
| Banquet | 90,000 | Administrative | 20,000 |
| Bar | 60,000 | Repair & Maintenance | 10,000 |
| **Salaries & Wages** |  | Upkeep & Service | 20,000 |
| Restaurant | 25,000 | Depreciation | 30,000 |
| Banquet | 15,000 | Rent | 5,000 |
| Bar | 10,000 |  |  |

Note: unallocated expenses are to be apportioned to various departments in the ratio of sales turnover.

**(TEE 1999)**

**Q**.62. Prepare an income statement according to suitable method of Departmental

Accounting from the following information:

|  |  |  |  |
| --- | --- | --- | --- |
| **Restaurant** | **Rs.** | **Other Expenses** | **Rs.** |
| Sales | 10,00,000 | Gas & Electricity | 30,000 |
| Cost of sales | 4,00,000 | Rent & Rates | 70,000 |
| Wages & Salaries | 1,80,000 | Depreciation | 60,000 |
| Repair and Maintenance | 50,000 | Postage and Telegram | 15,000 |
|  |  | Advertising | 30,000 |
| **Banquet** |  | Laundry & Cleaning | 5,000 |
| Sales | 2,50,000 | Office & Administrative |  |
| Cost of sales | 1,60,000 | expenses | 40,000 |
| Wages & Salaries | 17,500 |  |  |
| Repair and Maintenance | 9,000 |  |  |
|  |  |  |  |
| **Bar** |  |  |  |
| Sales | 2,50,000 |  |  |
| Cost of sales | 93,750 |  |  |
| Wages & Salaries | 25,000 |  |  |
| Repair and Maintenance | 7,000 |  |  |

Note: Unallocated expenses are to be apportioned according to the following basis:

1. Gas and Electricity: Restaurant 50% Banquet 30% and Bar 20%
2. Rent and Rates and depreciation according to floor area occupied, which is, Restaurant, 50% Banquet 40% and Bar10%.
3. All other expenses in the ratio of turnover.

**(TEE 2000)**

**Q.**63. Prepare a profit & Loss Account under the Net Profit method of

Departmental Accounting from the information given below**:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sales** | **Rs.** | **Unallocated Expenses** | **Rs.** |
| Restaurant | 2,00,000 | Administrative | 15,000 |
| Banquet | 2,00,000 | Property Operation & Maint. | 10,000 |
| Bar | 1,00,000 | Upkeep & Service | 5,000 |
|  |  | Marketing | 20,000 |
|  |  | Fixed charges | 15,000 |
| **Cost of Sales** |  |  |  |
| Restaurant | 50,000 |  |  |
| Banquet | 40,000 |  |  |
| Bar | 35,000 |  |  |
|  |  |  |  |
|  |  |  |  |
| **Salaries and wages** |  |  |  |
| Restaurant | 20,000 |  |  |
| Banquet | 18,000 |  |  |
| Bar | 10,000 |  |  |
|  |  |  |  |
| **Power and Fuel** |  |  |  |
| Restaurant | 8,000 |
| Banquet | 6,000 |
| Bar | 2,000 |
|  |  |

Note: Unallocated expenses are to be apportioned between the departments in the ratio of sales.

**(TEE 2000)**

**Q.**64. Prepare a Profit and Loss account under the Net profit method of

Departmental Accounting from the following information**:**

|  |  |
| --- | --- |
| **Net Sales** | **Rs.** |
| Rooms | 10,00,000 |
| Restaurant | 5,00,000 |
| Bar | 4,00,000 |
|  |  |
| **Cost of Sales** |  |
| Rooms | 2,00,000 |
| Restaurant | 2,00,000 |
| Bar | 1,50,000 |
|  |  |
| **Salaries & Wages** |  |
| Rooms | 2,00,000 |
| Restaurant | 1,00,000 |
| Bar | 80,000 |
|  |  |
| **Power** |  |
| Rooms | 1,00,000 |
| Restaurant | 60,000 |
| Bar | 5,000 |
|  |  |
| **Fuel** |  |
| Restaurant | 50,000 |
| Bar | 1,000 |
|  |  |
| Un-allocated Expenses |  |
| Administrative | 20,000 |
| Property operation and maintenance | 10,000 |
| Upkeep and Service | 5,000 |
| Marketing | 25,000 |
| Fixed charges | 20,000 |

Note: Unallocated expenses are to be apportioned between the departments

in the ratio of sales

**(TEE 2002)**

**Q.**65.Prepare a departmental income statement from the following information**:**

**Rs.**

|  |  |  |
| --- | --- | --- |
| Sales | Restaurant | 5,00,000 |
|  | Rooms | 3,00,000 |
|  | Bar | 2,00,000 |
| Cost of Sales | Restaurant | 75,000 |
|  | Rooms | 75,000 |
|  | Bar | 1,45,000 |
| Wages & Salaries | Restaurant | 75,000 |
|  | Rooms | 15,000 |
|  | Bar | 20,000 |
| Repair & Maintenance | Restaurant | 25,000 |
|  | Rooms | 4,000 |
|  | Bar | 30,000 |
| Gas & Electricity |  | 60,000 |
| Rent & Rates |  | 70,000 |
| Depreciation |  | 5,000 |
| Postage & Telephone |  | 40,000 |
| Advertising |  | 6,000 |
| Laundry & Cleaning |  | 60,000 |
| Office & Administration expenses |  |  |

Note: Unallocated expenses are to be apportioned bases on following

1. Gas and electricity: Restaurant 60%, Room 30% and Bar 10%
2. Rent & Rates and depreciation: Restaurant 30%, Room 30% and Bar 10%
3. All other expenses are apportioned on the basis of sales.

**(TEE 2001)**

**Q.66. Prepare a profit and Loss Account their the Net Profit Method of Departmental Accounting from the information given below as on 31st December 2002.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sales** | **Rs.** | **Power and fuel** | **Rs.** |
| Restaurant | 5,00,000 | Restaurant | 20,000 |
| Banquet | 3,00,000 | Banquet | 18,000 |
| Bar | 2,00,000 | Bar | 10,000 |
|  |  |  |  |
| Cost of Sales |  | Unallocated Expenses |  |
|  |  |  |  |
| Restaurant | 1,50,000 | Advertisement | 30,000 |
| Banquet | 90,00 | Administrative | 20,000 |
| Bar | 60,00 | Repair& Maintenance | 10,000 |
|  |  | Upkeep & Service | 30,000 |
|  |  | Depreciation | 40,000 |
| Salaries & wages |  | Rent | 4,000 |
| Restaurant | 40,000 |  |  |
| Banquet | 20,000 |  |  |
| Bar | 5,000 |  |  |

Note: Unallocated expenses are to be apportioned to various departments in the ratio of turnover.

**(TEE 2003)**

**Q.67. Prepare a Profit & Loss Account under the Net Profit method of Departmental Accounting from the information given below:**

|  |  |  |
| --- | --- | --- |
|  |  | Rs. |
| Sales | Restaurant | 3,00,000 |
|  | Coffee Shop | 3,00,000 |
|  | Bar | 2,00,000 |
|  |  |  |
| Cost | Restaurant | 80,000 |
|  | Coffee Shop | 1,00,000 |
|  | Bar | 40,000 |
|  |  |  |
| Salaries & Wages | Restaurant | 7,000 |
|  | Coffee Shop | 5,000 |
|  | Bar | 2,000 |
| Unallocated Expenses |  |  |
| Office Expenses |  | Rs. 6,000 |
| Head office expenses |  | Rs. 8,000 |
| Advertisement and Marketing  expenses |  | Rs. 16,000 |
| Fixed charges |  | Rs. 18,000 |
| Interest |  | Rs. 25,000 |

Note: Unallocated expenses are to be apportioned amongst departments on the following basis:

a) Head office expenses and advertisement and marketing expenses to be apportioned on the basis of sales.

b) Office expenses and fixed charges to be apportioned equally amongst three departments.

c) Interest to be apportioned in the ratio of 2:2:1 among restaurant, coffee shop and bar respectively.

**(TEE 2004)**

Q.68. Prepare income statement under departmental accounting method.

|  |  |  |
| --- | --- | --- |
|  |  | Rs. |
| Net Sales | Rooms | 21,56,000 |
|  | Food & Beverage | 10,65,000 |
|  | Telephone | 1,28,560 |
| Cost of Sales | Rooms | NIL |
|  |  | 51,200 |
|  |  | 4,61,300 |
| Power & Fuel | Telephone | 10,000 |
|  | Rooms | 1,35,700 |
|  | Food & Beverage | 2,31,600 |
| Repair & Maintenance | Rooms | 1,19,000 |
|  | Food & Beverage | 1,28,700 |
|  | telephone | 21,000 |
| General Expenses |  |  |
| Depreciation |  | 1,29,000 |
| Rent & Rates |  | 1,00,000 |
| Marketing & Sales |  | 2,25,000 |
| Interest on loan |  | 1,86,000 |
| Property operation & maintenance |  | 56,400 |
| Management |  | 2,20,000 |

Note: All general expenses except depreciation and interest on loan shall be apportioned in the 4:2:1 (any fraction round off to next rupee)

**(TEE 2004)**

Q.69. Prepare a Departmental Income Statement from the following:

|  |  |  |
| --- | --- | --- |
|  |  | **Rs** |
| Sales | Restaurant | 6,00,000 |
|  | Rooms | 2,00,000 |
|  | Bar | 2,00,000 |
| Cost of sales | Restaurant | 1,50,000 |
|  | Rooms | 70,000 |
|  | Bar | 6,0000 |
| Wages & Salaries | Restaurant | 1,50,000 |
|  | Rooms | 80,000 |
|  | Bar | 10,000 |
| Repair & Maintenance | Restaurant | 20,000 |
|  | Rooms | 15,000 |
|  | Bar | 5,000 |
|  |  |  |
| Gas & Electricity |  | 20,000 |
| Rent & Taxes |  | 40,000 |
| Depreciation |  | 50,000 |
| Postage & Telephone |  | 6,000 |
| Advertising |  | 25,000 |
| Laundry and Cleaning |  | 5,000 |
| Office and Administration expenses |  | 30,000 |

Note: Unallocated expenses are to be apportioned based on following:

a) Gas & Electricity : Restaurant 50%, Rooms 30% and Bar 20%

b) Rent & Rates and Depreciation: Restaurant 40%, Rooms 40% and Bar 20%.

c) All other expenses are apportioned on the basis of sales.

**(TEE 2005)**

**NCHMCT QUESTION PAPERS**

**(ABSTRACT OF TEHORY QUESTIONS)**

**1991 - 2010**

Q.74. Prepare a Profit and Loss Account under the Net Profit method of Departmental Accounting from the information given below;-

**Sales**

Restaurant- - 4,00,000

Coffee Shop - 4,00,000

Bar - 3,00,000

**Cost of sales** Restaurant - 120,000

Coffee Shop - 60,00

**Salaries and wages**

Restaurant - 9,000

Coffee Shop - 7,000

Bar - 4,000

**Unallocated expenses;-**

Office expenses- 8,000

Head Office expenses- 10,000

Advertisement expenses- 18,000

Fixed Charges - 20,000

Interest- 30,000

Note- Unallocated expenses are to be apportioned on the following basis;

1)Office expenses and fixed charges to be apportioned equally among all departments.

2)Head office expenses and Advertisement expenses to be apportioned on the basis of sales.

3)Interest to be apportioned in the ratio of 2:2:1.

**(TEE-2011)**

**Q.70. Prepare an Income Statement under Net Profit method of Departmental Accounting from the following information given**

**Rs. Rs.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sales** |  | **Unallocated**  **Expenses** |  |
| Restaurant | 5,00,000 | Advertisement | 1,00,000 |
| Banquet | 3,00,000 | Repair & maintenance | 45,000 |
| Bar | 2,00,000 | Administrative  Expenses | 75,000 |
| **Cost of Sales** |  | Rent, Rates & Taxes | 50,000 |
| Restaurant | 1,35,000 | Insurance | 20,000 |
| Banquet | 1,21,000 | Interest | 20,000 |
| Bar | 74,000 | Depreciation | 60,000 |
| **Salaries and Wages** |  |  |  |
| Restaurant | 35,000 |  |  |
| Banquet | 25,000 |  |  |
| Bar | 5,000 |  |  |

Note: Unallocated expenses are to be apportioned to various departments in the ratio of turnover.

**(TEE 2012)**

Q.71. Prepare an Income statement according to Departmental Accounting from the following information:-

|  |  |
| --- | --- |
| Sales | **Rs.** |
| Restaurant | 5,00,000 |
| Banquet | 3,00,000 |
| Bar | 2,00,000 |
|  |  |
| **Cost of Sales** |  |
| Restaurant | 1,50,000 |
| Banquet | 60,000 |
| Bar | 35,000 |
|  |  |
| **Wages & Salaries** |  |
| Restaurant | 80,000 |
| Banquet | 25,000 |
| Bar | 10,000 |
|  |  |
| **Repair & Maintenance** |  |
| Restaurant | 20,000 |
| Banquet | 10,000 |
| Bar | 6,000 |
|  |  |
| Gas & Electricity | 20,000 |
| Rent | 60,000 |
| Depreciation | 50,000 |
| Office expense | 30,000 |
| Postage | 10,000 |
| Advertising | 20,000 |
| Laundry | 3,000 |

Unallocated expenses are to be apportioned based on following basis:-

(a) Gas and Electricity

Restaurant -40%

Banquet -40%

Bar -20%

(b) Rent & Depreciation

Restaurant -40%

Banquet -40%

Bar -20%

(c) All other expenses in the ratio of turnover

**(TEE 2008)**

**Q.72 Prepare an income statement under Net Profit method of Departmental**

**accounting from the information given below on 31st March, 2005.**

**Rs.**

|  |  |
| --- | --- |
| **Sales** |  |
| Restaurant | 20,00,000 |
| Banquet | 12,00,000 |
| Bar | 8,00,000 |
| **Cost of Sales** |  |
| Restaurant | 6,00,000 |
| Banquet | 3,60,000 |
| Bar | 2,40,000 |
| **Salaries & Wages** |  |
| Restaurant | 1,00,000 |
| Banquet | 60,000 |
| Bar | 40,000 |
| **Power and Fuel** |  |
| Restaurant | 80,000 |
| Banquet | 40,000 |
| Bar | 20,000 |
| **Unallocated Expenses** |  |
| Advertisement | 1,20,000 |
| Administrative | 80,000 |
| Repair & Maintenance | 40,000 |
| Depreciation | 1,20,000 |
| Rent, taxes and insurance | 1,00,000 |

Note: Unallocated expenses are to be apportioned to various departments in the ratio of sales.

**(TEE 2005-2009)**

Q.73. Using a suitable method of Departmental Accounting prepare a trading, profit and

Loss Account from the following information.

|  |  |
| --- | --- |
|  | Rs. |
| **Cost of Sales** |  |
| Restaurant | 120,000 |
| Banquet | 50,000 |
| Bar | 20,000 |
| Sales |  |
| Restaurant | 3,00,000 |
| Banquet | 2,00,000 |
| Bar | 1,00,000 |
| **Salaries and Wages** |  |
| Restaurant | 15,000 |
| Banquet | 5,000 |
| Bar | 3,000 |
| **Unapportioned expenses** |  |
| Sales Promotion | 10,000 |
| Administrative | 7,000 |
| Repair and Maintenance | 3,000 |
| Fixed Expenses | 10,000 |
| Power and Fuel |  |
| Restaurant | 5,000 |
| Banquet | 3,000 |
| Bar | 1,000 |

Note: Allocate the unapprotioned expenses on the ratio of sales

**(TEE 2009)**

**TEE 1991**

Q1. List the various hotel departments and differentiate between major

Revenue, minor revenue and non producing departments with relevant

Reasons.

Q2. Explain the purpose of departmental accounting and what modifications is

Entails in the layout of subsidiary books and the ledger.

Q3. State True on False

1 Uniform system of accounting means double entry system

2 Inter firm comparison is not popular in hotels.

3 Non – revenue producing department will also fall under the

Purview of departmentalization of accounts.

4 While finding the profit of a department all expenses connected to

That department alone should be taken into account.

**TEE 1992**

**Q**.1. Fill in the blanks

1. Financial statement provide -------------------- for management so that it can then make -----------------and plan for the future.
2. The income statement shows the operating result of a business --------------
3. The balance sheet differs from the income statement in that it shows the financial position of a business ----------------
4. Large establishments, such as a hotel with several revenue producing areas, would normally produce ----------- income statements.
5. Changing the depreciation methods used on financial statements from one accounting period to the next would be a violation of the -------------- concept.
6. Profit and loss account is a summary of --------------- and for an accounting period.
7. Income measurement is achieved by matching ---------------
8. Expenses could be recognized in relation to ---------------realized or an period.
9. Outsider’s claim against assets of an entity is called -------------
10. Things of value to the entity are called by accountants as ---------

**B. CHOOSE THE BEST ANSWER:**

11. Written down value (WDV) method of charging depreciation is calculated.

1. One the original value of assets
2. On the book value of asset
3. On the number of hours/shifts the machine works
4. None of the above

12. Net profit is

1. Revenue less all expenses before income tax
2. Revenue less all expenses after income tax

c) revenue less indirect expenses

d) Non of the above

**C. STATE TRUE OF FALSE:**

13. Losses result in increase in owner’s equity.

14. All assets in the balance sheet are valued at their realizable value.

15. Owner’s claim against business is a residual claim.

16. An increase in liabilities could be equalled by increase in assets.

17. A decrease in asset always results in increase in owner’s equity.

18. Assets + Liabilities – capital is always true

19. Uniforms system of accounting will enable the hoteliers to evaluate

their results through inter-firm comparison.

20. In departmental accounting, both revenue and non-revenue

producing departments are considered.

Q2. Explain the following terms giving examples:

Contingent Liability

Deferred expenditure

Q3. Distinguish between allocation and the appointment of expenditure

Q4. Explain the purpose of departmental accounting and state what

modifications it entails in the layout of the subsidiary books and the

ledger.

Q5. What are the conditions that are to be satisfied for introducing

Uniform system?

Q6. Though internal audit as a part of internal control, it is a waste of

Money, Discuss.

**TEE 1993**

**Q.**1. A Fill in the blanks with appropriate word/phrase:

1. Entries in expenses account on the credit side will ------------- (increase/ decrease) the accounts balance
2. The normal balance for owner’s equity account would be a -------------
3. On working papers, the income figure on the balance sheet coloumns is recorded in the (debit/credit) ------------------ coloumn.
4. The equation for calculating cost of goods used at the end of an accounting period is -----------------
5. Expired cost with respect to a fixed assets is referred to as -------------
6. Expiration of cost of intangible assets is referred to as -------------
7. Sunday creditors are also referred to as ----------
8. Increase in Liability is ----------------- (Debited/credited)
9. An increase in asset could result in:
10. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
11. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
12. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Choose the best answer:**

10. An amount of Rs. 1000/- incurred in erecting the machinery is debited to machinery a/c. It is based on

1. Consistency
2. Cost concept
3. Materiality concept
4. Conservatism

**Sate True or False:**

11. Outsiders claim against business is a residual claim.

12. An increase in assets could be equalled by increase in liabilities.

13. An increase in asset always results in increase in owner’s equity**.**

14. Assets-Liabilities=capital is always true.

15. Uniform system of accounting will enable the hoteliers to evaluate their

Results through inter-firm comparison.

16. In departmental accounting, only revenue producing departments are

considered.

17. Good will is tangible asset

Q.2. Differentiate in about ten lines the following:-

a) Gross profit and net profit.

b) Direct expenses and indirect expense

Q3. Explain the following terms giving examples:

a) Current liabilities

b) Reserves and Surplus

Q4.What method of apportionment would you see in respect of the following (a) rent

and rates; (b) depreciation of premises: (c) advertising:(d) general manager’s

salary: (e) advertising: (f) administration expenses ?

Q5. What are the conditions that are to be satisfied for introducing uniform system?

Q8. Identify some common forms of fraud in the area of cheque and cash

Disbursement and details the measures to prevent such frauds.

**OR**

List the various accounting machines which you have come across in the hotel at the time of your industrial training and state their usage.

**TEE 1994**

Complete the following by filling in the blanks

1. The balance sheet equation is

2. Entries in liability accounts on the debit side (increase/ decrease)

the accounts book

3. The normal balance for an asset account would be

4. On working papers, the net income figure on the income statement column is recorded in the (debit/ credit)

5. Amortization of expenditure is done in the case of

6. Balance Sheet prepared at the end of an year summarizes balances in:

a) accounts

b) accounts

c) accounts

7. Accounts receivable are also referred to as

8. Increase in asset is (debited/credited)

**CHOOSE THE BEST ANSWER**

9. Accounting concepts are

a) broad assumptions

b) method of presenting financial accounts

c) none of the above

1. Differentiate in above ten lines the following

c) revenue expenditure and capital expenditure

d) income statement and balance sheet

2. Explain the following terms giving examples:

Accounts receivable

Inventory

4. Write short explanatory notes on the following methods departmental accounting (a)

gross profit (b) department profit method and (c) not profit method.

3. “Internal control is concerned with authorization and recording procedures and the

division of staff duties. It relates mainly to cash and goods consent”

**TEE 1996**

**Q. 1. Match the following:-**

|  |  |
| --- | --- |
| (a)Credit Card | (a) Internal Control |
| (b)Consistency | (b) Reserves & Surplus |
| (c)Amortization | (c) Accounting Concept |
| (d)Cash Registers | (d) Charge Slips |
| (e)Retained Earnings | (e) Intangible assets |

**Q.2. Fill in this Blanks:-**

(a) The normal balance for Owner’s Equity Account would be a .................

(b) Crockery, Cutlery & Utensils can better be depreciated..........................

(c) Segregation of duties is an effective measure of......................... control

**Q.3. State true or false**

a) In Departmental Accounting only revenue producing departments are considered

b) Owners Equity= Assets – External liabilities.

c) Gross profit is revenues less indirect expenses

d) Changes in Sales Mix have effects on profit levels.

e) Internal Control cannot be a proof against fraudulent collusion between employees.

Q. 4. What is internal Audit? How is it different from Statutory Audit? Discuss the role of Internal auditor.

Q. 5. Explain the purpose of Departmental Accounting. State what modifications it entails in respect of subsidiary books and ledger.

**TEE 1997**

Q. 1. Choose the correct answer in each of the following cases:

(a) The business has an indefinite life. This is according to:

(i) Business Entity Concept.

(ii) Conservatism Concept.

(iii) Going Concern Concept.

(iv) None of the above.

(b) Excess of sales over cost of sales is:

(i) Net Profit.

(ii) Gross Profit.

(iii) Operating Profit

(iv) None of the above

(c) Deferred Revenue Expenditure is a :

(i) Fixed Asset.

(ii) Current Asset.

(iii) Other Asset

(d) Segregation of duties is a method of :

(i) Internal control.

(ii) Cost Control

(iii) Budgetary Control

(iv) None of the above.

Q. 5. Write short notes on the following: (a)

Owner’s equality.

(b). Contingent liabilities

Q.6. (a) What do you understand by Internal Control? Briefly State the advantages of internal control.

(b) What do you understanded by internal audit?, if different from Statuary audit

**TEE 1998**

**Q.1. State True or False:**

(i) Net Profit is Sales less direct expenses

(ii) Internal control can be a proof against fraudulent collusion between employees.

(iii) In departmental accounting only non revenue producing departments are considered.

(iv) An increase in profit could be equalled by increase in Assets.

(v)Uniform System of accounting will enable the hoteliers to evaluate their results through interfirm comparison

**Fill up the Blanks:-**

(i) Increase in liability is .................................

(ii) Expired cost with respect to fixed asset is referred to as .............

(iii) The equation for calculating cost of goods used at the end of an accounting period is .................

(iv) Segregation of duties is an effective measure of ............. control.

(v) Sundry creditors are also referred to as ............

Q.2. Explain the following:-

(a) Contingent Liability

(b) Reserves and Surplus

Q.3. List the various Accounting Machines with their use which you have come across in the hotel at the time of your industrial training.

Q4. Explain what is meat by departmental accounting . What conditions must be satisfied to introduce departmental counting.

Q5. What do you understand by internal audit and How is it different from statutory audit.

Q6. Draw the Departmental income Statement of Food and Beverage Department with assumed figures.

**TEE 1999**

Q1. What do you mean by audit? What is internal & statutory audit?

Differentiate between internal & Statutory audit.

OR

Define Internal control. State elaborately the objectives of internal control.

Q2. Give a brief answers to any three of the following questions:-

a) what are the benefits of Departmental Accounting?

b) Give comprehensive list of Departmental Income & Expenditure

Statements of a large hotel according to the provisions of Uniform

system of accounts for hotels

c) State the points of difference between Allocation and Appointment of

expenses giving suitable examples.

d) Give definitions for the following:-

i) Controllable (Departmental expenses):

ii) Uniform system of accounts for hotels:

iii) Net profit method of departmental accounting

iv) Cost of sales; and

v) Profit before tax (income statement)

Q3. (A) Write short notes on any three of the following

i) Owners equity ii) Current Liability

iii) Retained earnings iv) Current Assets

v) contingent liability

(B) Arrange the following items between Assets and Liabilities in an

appropriate order and in the form of balance sheet:-

preference shares Accrued expenses

Debenture Cash in hand

Land & Building Cash at bank

Debtors Equity shares

Stock Furniture & Furnishings

General reserve Vehicle

P & L Account Investments

Kitchen equipment Deferred revenue expenditure

Crockery, cutlery & Utensils Plant & Machinery

Creditors Music & Sound system

Bills Payable Pre-paid expenses

**TEE 2000**

Q1. In the context of Departmental Accounting what should be the basis of

Apportionment in case of each of the following Unallocated Expenses:

i. Rent for premises ii. Insurance of building

iii. Administrative Expenses iv. Advertisement

v. Upkeep and Service cost

Q2. Write short notes on the following:

i. Contingent Liability ii. Current Assets

iii. Contingent asset iv. Equity

Q3. a. Do you think there is any necessity of internal audit over and above

Statutory audit in case of a hotel?

b. What ate the objectives of internal control in a hotel ?

Q4. What are the various methods of departmental accounting ?

explain in detail

Q5. What do you understand by internal control ? Explain the demerits of an

Internal control system .

Q6. Distinguish between the allocation and the apportionment of expenditure

OR

Describe the benefits to employers and customers by introducing calculation

and accounting machines into a catering establishment.

**Q 7. State True of False**

i. Goodwill is a tangible asset

ii. Assets = Liabilities – capital is always true.

iii. An increase in assets always results in owner’s equity

iv. expired cost with respect of a fixed asset is referred to as depreciation

v. Capital account is a nominal account

vi. Fixed assets are always shown at their market value

vii. The assets which have life span of less than one year are included in current assets.

viii. Deferred revenue expenditure is a current asset

ix. Segregation of duties is a method of internal control

x. Excess of sales over cost of sales is operating profit.

**TEE – 2011**

Q 1. What do you understand by Internal control? Briefly state the advantages of internal control.

Q 2. Distinguish between:

i) Internal audit and statutory audit

ii) Internal control and internal check

OR

Explain the following methods of departmental accounting

i) Gross Profit (ii) Departmental Profit (iii) Net profit

Q 3. Write short notes on the following :

i) Amortization ii) Retained earnings iii) Current Assets

iv) Deferred revenue expenditure iv) Fictitious assets

TEE 2002

a) Differentiate between the following:

i) Internal Audit and Statutory audit

ii) Retained Earnings and Paid Up Capital

b) Write short notes:-

i) Contingent liability

ii) Depreciation and Amortization

c) Explain the following methods of departmental accounting

i) Gross Profit

ii) Departmental Profit

iii) Net Profit

**TEE 2004**

Q.1. Differentiate between

(a) Depreciation and amortization

(b) Fixed assets and current assets

(c) Retained earnings

(d) Contingent liability

Q.2. Design a comprehensive internal control system for front office receipts.

Q.3. Elucidate the importance of internal audit.

Q.4. Give the proforma of balance sheet in order of permanence applicable to

Companies under Indian system.

Q.5. Present the format of Food & Beverage Schedule as per USAH

Q.6. Write short notes on:

(a)Statutory audit (b) Deferred revenue expenditure

Q.7. Give the list of any three expenses schedule and write the contents of any

one schedule.

**TEE 2005**

Q.1. What do you mean by internal control? Briefly explain the objective of

Internal control.

Q.2. What is called allocation and apportionment? Explain in detail different

Basis of cost allocation.

Q.3. Write short notes

(a) Owner’s Equity

(b) Debentures

(c) Profit and Loss Appropriation Account

(d) Reserves and Surplus

(e)Preference Share

Q.4. What do you mean by internal by statutory audit? Explain in detail.

Q.5. What is cash control? Why cash control is more difficult in hotel

Industry as compared to other industries.

Q.6. What are the conditions that are to be satisfied for introducing uniform

System of accounts?

Q.7. Explain the purpose of Departmental Accounting. State what modifications it

entails in respect of Subsidiary books and Ledger.

Q.8. What do you understand by Internal Control? Briefly state the advantage of

Internal control.

Q.9. What is internal Audit? How is it different from Statutory Audit? Explain the role of Internal Auditor.

**TEE 2006**

Q.1. Fill in the blanks:

(i) Net profit is sales \_\_\_\_\_ expenses.

(ii) Cost of goods sold is \_\_\_\_(+) \_\_\_\_ (\_\_)\_\_\_\_

(iii) Segregation of duties is a method of \_\_ Control

(iv) Debit balance of real accounts are \_\_\_\_

(v) Gross profit is ascertained by \_\_\_

(vi) Excess of capital at the end over the capital at the beginning

Shows

(vii) Credit balance of personal accounts are \_\_\_\_

(viii) Balance sheet is a \_\_\_\_

(ix) Capital at the end is reduced to the extent of (a) \_\_\_ or (b) \_\_\_

(x) Assets \_\_\_ is capital.

Q.2. State whether the following statements are True or False.

(a) Interest control can be a proof against fraudulent collusion

Between employees

(b) Owners equity = Assets + External liabilities

(c) Uniform system of accounting will enable the hotelier to evaluate

Their results through inter firm comparison

(d) Goodwill is an intangible asset

(e) In departmental accounting only non revenue producing

departments are considered.

(f) Assets minus total outside liabilities equal to owner’s equity

(g) Income received in advances is an asset

(h) Outstanding expenses is an asset

(i) Prepaid expenses is an income

(j) An increase in profit could be equalled to increase in assets

Q.3. Explain the following terms with examples;

(a) Share capital

(b) Debentures

(c) Reserve and surplus

(d) Current Assets

(e) Fixed liabilities

Q.4. Explain the following methods of Departmental accounting.

(a) Gross Profit Method

(b) Departmental Profit Method

Q.5. What do you mean by Uniform System of accounting? What are the difficulties in

Implementing this system?

Q.6. What is the difference between

(a)Equity share and preference share

(b) Direct expenses and indirect expenses

**TEE 2007**

Q.1. Write a short note on Uniform system of accounts for hotels giving an outline of its

advantages.

Q.2. Draw a format of Balance Sheet of a hotel according to the guideline of

Uniform system of Accounts for hotels divided into sections and in appropriate

order

Q.3. Define and five of the following

(a) Controllable expenses (b) Contingent liability

(c) Retained Earning (d) Amortization

(e) Gross Profit (f) Energy cost statement

Q.4 Classify the departments in a large luxury hotel stating the benefits of departmental

Income and expense statements prepared according to the provisions of Uniform

System of Accounts for hotels. Make a full list of all income and expense statements

Of this category.

Q.5. Distinguish between Allocation and Apportioned of expenses the departmental

Accounting. State the basis of apportioned of rent, insurance, cafeteria expenses,

Advertisement and GM’s salary.

Q.6. Define internal control. State the objectives of internal control is a hotel.

Q.7. Write a note on the Gross Profit Method of departmental accounting in hotels.

**TEE 2008**

Q.1. What do you mean by Audit? Differentiate between internal Audit and

External Audit.

Q.2. What do you understand from uniform system of Accounts? What are the

Difference in implementing this system.

Q.3. What do you mean by financial reporting centres? Explain the

Difference between Revenue Centres and Support Centres.

Q.4. Why income statement is made? How is it different from Receipts and

Payments accounts?

Q.5. What do you mean by Departmental accounting? Explain in detail its

Advantages and limitation.

Q6. Write short notes

(a) Reserve b) Deferred revenue expenditure (c) Capital

(d)Bad Debts c) Non – Tangible Assets (f) Wasting Assets

Q.7. Differentiate between the following

(a) Income statement and balance sheet

(b) Internal Audit and Internal Control

(c) Gross Profit and Net Profit

(d) Reserve and Revenue

Q.8. What is the role of cost allocation in the departmental accounting?

Q.9. Define Internal Control. Explain briefly the features of internal control?

**TEE 2009**

Q.1. Give the definitions for the following

(a)Amortization (b) Fictitious assets (c) Current asset

(d) Networth (e) Marketable securities

Q.2. State the distinction between internal audit and statutory audit.

Q.3. Define Audit, what are the different types of audit and their puposes?

Q.4. Write the characteristic of internal control.

Q.5. Define internal control. Discuss its objectives.

Q.6. Write short notes

(a)Apportionment of unallocated expenses

(b)Gross profit method of departmental accounting

(c)Controllable expenses

(d)company shares

Q.7. What do you mean by departmental income statements and expenses

Statements? What are its purpose? Make a full list of such statements.

Q.8. Produce a format of F & B department schedule of income statement

according to the uniform system of accounts.

Q.9. Write a short note on uniform system of accounts for hotels.

**TEE 2010**

Q.1. Define internal control. What are its objective in a hotel.

Q.2. How will you control Food and Beverage Sales of a Restaurant.

Explain in detail.

Q.3. What you understand from “Uniform system of Accounts.” State the

Advantages of uniform system of accounts.

Q.4. Produce a format of Rooms Department schedule of income

Statement according to the uniform system of accounts.

Q.5. Distinguish between;-

(a) Equity shares and preference shares

(b) Direct expenses and indirect expenses

(c) Internal control and internal check.

-