

Finance in Tourism and Hospitality Assessment Material

December 2023 onwards

CTH Qualification and Level	Level 4 Diploma in Hospitality Management (QAN: 601/71119/4) Level 4 Diploma in Tourism Management (QAN: 601/7121/2)
Unit Name and Code	Finance in Tourism & Hospitality (FTH)
Assessment Methodology	100% Assignment
Case Study Title	Financial analysis of The Adler Hotel
Credit Value	15 credits
Guided Learning Hours	80 hours minimum
Document History	This document replaces the Edelweiss Hotel case study (December 2022 onwards) and is meant to be used by CTH approved Centres from December 2023 onwards.

1. Assignment Overview

This assignment is based upon the information given below relating to The Adler Hotel, St Moritz which is in the Swiss Alps. The Glacier Hotel Company Ltd operates 3 hotels across the Alps, although they are a UK based company. They are predominantly leisure hotels but as well as having bars, restaurants, gyms, they also have up to date meeting rooms in the hotels equipped with professional audio-visual equipment.

You are required to study and analyse this information and then produce a **3,000-word report** [excluding tables] addressing all the tasks listed below. If there are any aspects of the business which are a cause for concern, these are to be identified and explained in your report. You are to suggest actions to be taken which will address these concerns. If there are aspects of the business which indicate a strength, these must also be identified with an explanation as to why they are strengths. You are expected to cover all tasks to ensure you will be producing evidence for all the learning outcomes.

You are also advised to carry out further analysis using your own initiative and the information you have acquired to show greater understanding of the topic and ensure you achieve the grade your work deserves.

2. Summary of Assessment Requirements

The Assignment must:

- ✓ include evidence that demonstrates that all the Learning Outcomes and Assessment Criteria of the unit have been met;
- ✓ include analysis and evaluation of the topics discussed in the detailed assignment requirements using facts to support **the student's own** conclusions and recommendations;
- ✓ make clear connections between theory and practice;
- ✓ cite references in accordance with the Harvard System;
- ✓ be presented in report format;
- ✓ be within 10% of the required word count of 3,000 excluding tables;
- ✓ include additional information including calculations which should be added as supplementary appendices to the report.

A minimum of two and maximum of three progress tutorials should be held with the student and lecturer, which must be fully documented with feedback on the work in progress and guidance on further work required.

One electronic and one paper copy of the final assignment report should be submitted. This should include a front cover page with the student's and tutor's declaration, and the signed progress tutorial form.

Students must work on their own assignments individually and not in groups. Where group work or collusion is discovered, all parties will be penalised.

3. Detailed Assignment Tasks

- Task 1: Produce monthly trading accounts for the rooms division department for the 3 months shown, as well as an overall account. These records should show relevant percentages.
- Task 2: Identify any aspects of the business which are a cause for concern.
- Task 3: Produce detailed suggestions for how to resolve causes of concerns identified in task 2.
- Task 4: Produce a budgeted trading account for the next three months showing how your suggestions will improve the rooms division results. Explain some of the limitations of this budget.
- Task 5: Describe the main elements of cost for the rooms division, and how their behaviour is affected by the volume of sales.
- Task 6: The meeting rooms are not being used very much and it is believed this is due to the limited range of technical equipment provided for audio visual presentations. The cost of updating each room is £30,000. What advice would you give the General Manager about how to do this and how to fund this expenditure? Provide clear reasons for the guidance you offer explaining the costs and advantages of your proposals.
- Task 7: A Travel Firm would like to run hen party weekends for groups of up to 20 guests and is offering to pay £85 per person for 3-day all-inclusive breaks. Would you accept the offer? Explain your answer.
- Task 8: Analyse The Adler Hotel Company Ltd overall results using recognised accounting tools.

You are advised to ensure your report covers all the Learning Outcomes and Assessment Criteria in the unit. See the table attached showing how the above questions relate to the Learning Outcomes and Assessment Criteria.

Note that the word count per task outlined in the Unit Assessment Method table on page 8 is only indicative as much of this work will be in numerical form which will require relevant comments and explanations to support the figures. It is suggested the assignment is presented as a single report, with clear links shown between the sections where relevant.

4. The Adler Hotel Case Study

Adler Hotel, St Moritz, Switzerland



The hotel is situated on the edge of the town centre and has its own secure car park for guests. Some guests arrive with their ski equipment which the hotel can store for them, but others hire equipment from one of the hire shops in town.

There are 65 bedrooms, 5 family rooms and 3 suites. Most guests book on a bed and breakfast basis, but some also have dinner included in their package.

The Hotel has two restaurants, both of which are open to residents and non-residents. The Glacier Restaurant serves breakfast, light **lunches and a limited choice table d'hôte dinner** priced at £35; and the Adler is a fine dining à la carte restaurant which is only open in the evening. There is one large bar and lounge area, open to residents and non-residents.

The Glacier Restaurant has been run by Maria, who has worked her way up from starting as a waiter seven years ago. It can seat 100 guests but after serving breakfast it is generally quiet for the rest of the day. It has a 30% staff turnover, mainly young people looking for work experience before moving on.

The Adler seats up to 50 guests and is run by Simon, who has been at the hotel for 25 years. He has maintained the very high standards of food service unchanged for the last ten years and believes his restaurant is the main attraction for guests to stay in the hotel. Most of the staff have been at the hotel for over 5 years. The food ASP is £45.

There are 65 en-suite rooms, of which 50 are doubles and 15 twins. The rack rate is £95 room only per head, and this increases to £105 including breakfast, and £130 including dinner. All rooms are in excellent condition and include Netflix and other cable TV services, and 24-hour room service. The head housekeeper Greta has been at the hotel for 5 years and has 4 assistants and 18 room attendants. She earns £30,000 a year; the assistants earn £22,000 and the room attendants earn £18,000.

The hotel has three meeting rooms which can each hold up 100 people in a theatre layout. All can be provided with a full food and drink service if requested by the client. Charges range from £30 an hour up to £250 for a full day.

Table 1: The following figures relate to The Adler Hotel Ltd overall results.

The Adler Hotel Company Ltd Consolidated Profit and Loss Account				
	2023		2022	
	£ 000		£ 000	
Turnover	7850		7,000	
Cost of sales	<u>440</u>	-	<u>350</u>	
Gross Profit	7,410		6,650	
Labour costs	<u>2,750</u>		<u>2,500</u>	
Net Margin	4,660		4,150	
overheads	<u>3,600</u>		<u>4,000</u>	
Operating profit before tax	<u>1,060</u>		<u>150</u>	
Taxation	<u>191</u>		<u>22</u>	
Loss/profit for financial year	<u>869</u>		<u>128</u>	
Consolidated Balance Sheet	2021		2020	
	£ 000		£ 000	
Fixed Assets				
Premises	4,500		3,500	
Equipment	2,500		2,500	
	<u>7,000</u>	<u>7,000</u>	<u>6,000</u>	<u>6,000</u>
Current Assets				
Stocks	21		29	
Debtors falling due within one year	250		600	
Cash at bank and in hand	<u>-20</u>		<u>25</u>	
	251		654	
Creditors amounts falling due within one year	900		500	
Working Capital	<u>-649</u>	<u>-649</u>	<u>154</u>	<u>154</u>
Net assets		<u>6,351</u>		<u>6,154</u>
Represented by				
Long term liabilities	<u>347</u>	<u>347</u>	<u>250</u>	<u>250</u>
Capital and reserves				
Share capital	5,000		5,000	
retained profit	<u>1,004</u>		<u>904</u>	
Shareholders' funds	<u>6,004</u>	<u>6,004</u>	<u>5,904</u>	5,904
		6,351	12,058	6,154

Table 2: The Adler Hotel Rooms Division

Adler Hotel Rooms Division			Jan	Feb	Mar
Double rooms sold			1100	1200	1250
Single rooms sold			250	200	220
			1350	1400	1470

Overheads per year	
rent	900,000
power	30,000
insurance	15,000
depreciation	150,000
maintenance	800,000

Laundry cost £10 per room per day		
Consumables cost £5 per sleeper		

5. Learning Outcomes & Assessment Criteria (for Reference)

Learning Outcomes When awarded credit for this unit, a student will:	Assessment Criteria Assessment of this learning outcome will require a student to demonstrate that they can:	Which suggested tasks meet the Learning Outcomes
1. Understand the sources of income generation and other funding in the tourism and hospitality industry.	1.1 Describe sources of income generation. 1.2 Describe sources of funding.	Task 6
2. Understand the operation of the business in terms of the elements of costs.	2.1 Describe the elements of cost found within the tourism and hospitality industry. 2.2 Describe some of the key aspects of effective control systems for high value assets.	Tasks 5
3. Be able to apply the concept of marginal costing to price setting, particularly as applied to those costs which change with time or level of activity	3.1 Identify operations when this is a useful tool. 3.2 Calculate marginal costs and apply the result to pricing decisions.	Task 7
4. Be able to prepare budgets and compare budgets with actual results	4.1 Explain the main reasons for using budgets, and some of their limitations. 4.2 Prepare relevant operating budgets. 4.3 Calculate variances between given actual and budgeted figures and comment on the results.	Tasks 4
5. Be able to interpret business performance from profit and loss statements and balance sheets using ratios and percentages.	5.1 Use a number of tools to analyse a given business' performance to include basic sales, liquidity, efficiency and financial ratios.	Tasks 1, 2,3 and 8

6. FTH Unit Assessment Method

FINANCE IN TOURISM AND HOSPITALITY			
Students must show that they meet the Learning Outcomes (LOs) and Assessment Criteria (AC) of the unit of assessment. Therefore, consideration will be given to whether students achieved the following:			
Tasks	Word Count	LO / AC Ref	Marks
Task 1			
Produce monthly trading accounts for the rooms division department for the 3 months shown, as well as an overall account. These records should show relevant percentages.	400 words	LO5, AC 5.1	15
Task 2			
Identify any aspects of the business which are a cause for concern.	400 words	LO5, AC 5.1 LO 1, AC 1.1, 1.2	15
Task 3			
Produce detailed suggestions for how to resolve the causes of concerns identified in task 2.	350 words	LO 2, AC 2.1 LO5, AC 5.1	10
Task 4			
Produce a budgeted trading account for the next three months showing how your suggestions will improve the rooms division results. Explain some of the limitations of this budget.	400 words	LO 4, AC 4.1, 4.2, 4.3	10
Task 5			
Describe the main elements of cost for the rooms division, and how their behaviour is affected by the volume of sales.	350 words	LO 2, AC 2.1, 2.2	10
Task 6			
The meeting rooms are not being used very much and it is believed this is due to the limited range of technical equipment provided for audio visual presentations. The cost of updating each room is £30,000. What advice would you give the General Manager about how to do this and how to fund this expenditure? Give clear reasons for the guidance you offer explaining the costs and advantages of your proposals.	350 words	LO 1, AC 1.1, 1.2	15
Task 7			
A Travel Firm would like to run hen party weekends for groups of up to 20 guests and is offering to pay £85 a person for 3-day all-inclusive breaks. Would you accept the offer? Explain your answer.	350 words	LO 3, AC 3.1, 3.2	10
Task 8			
Analyse the Adler Hotel Company Ltd overall results using recognised accounting tools.	400 words	LO 5, AC 5.1	15

7. FTH Mark Scheme

FINANCE IN TOURISM & HOSPITALITY			
Learning Outcomes 1 to 5			
FAIL	PASS	MERIT	DISTINCTION
10-mark question (0-3)	10-mark question (4-5)	10-mark question (6)	10-mark question (7-10)
15-mark question (0-5)	15-mark question (6-8)	15-mark question (9-10)	15-mark question (11-15)
Does not meet all the requirements of the assessment criteria and learning outcomes.	Displays reasonable knowledge and understanding of the assessment criteria and learning outcomes.	Displays a sound knowledge and understanding of the assessment criteria and learning outcomes.	Excellent application of knowledge and understanding to the assessment criteria and learning outcomes.
Weak response. Answer lacks focus and organisation with no, or limited application to the criteria.	Ideas reasonably clear but not very consistent and logical. Generally covers the criteria and demonstrates some understanding of key issues.	Gives relevant and coherent answer. Covers the criteria and demonstrates a good understanding of key issues with a few inaccuracies in places.	Intelligent, well-developed, and focused response that covers all criteria. Provides a good level of interpretation and evaluation of key issues, concepts, and models.
Limited use of academic and business vocabulary.	Some use of academic and business vocabulary.	Good use of academic and business vocabulary.	Excellent use of academic and business vocabulary.
No or limited supporting data.	Introduces data to support points with a few errors in places.	Makes use of some theories and relevant data to support points with minimal errors.	Applies a range of theories in different contexts relevant to the area of study, using data with no errors.
No or little attempt to include and/ or discuss research.	Limited research included in response.	Uses a range of research and investigative techniques.	Uses a range of research and investigative techniques to solve problems.
No evidence of original thinking.	Minimal evidence of original thinking.	Shows some evidence of original thinking. Arguments may not be linked well to the question.	Demonstrates evidence of original thinking and offers well- argued conclusions or recommendations.
No use of sources.	Some attempt to use and reference sources.	Uses sources with clear referencing.	Use of sources applied well within the text and clearly referenced.
Demonstrates a simplistic style of writing with many errors in spelling, grammar, and punctuation.	Produces work with legible text and a reasonable quality of spelling, grammar, and punctuation.	Presents work with text is clear, well presented, and well- structured with a good quality of spelling, punctuation, and grammar.	Demonstrates good style of writing and presents work that is neat, clear, well-structured, coherent and with a good quality of spelling, punctuation, and grammar.