SQA Advanced Unit Specification

General information for centres

Unit title: Managing Financial Resources in Hospitality

Unit code: HP4C 48

Unit purpose: This unit is designed to introduce candidates to various control systems for use in the hospitality industry.

On completion of the unit the candidate should be able to:

1   Apply break-even analysis in practical decision making.
2   Prepare a cash budget for a hospitality operation
3   Prepare statements reconciling budgeted and actual net profit using variance analysis.
4   Apply various pricing methods for a hospitality operation.

Credit points and level: 1 SQA Credit at SCQF level 8: (8 SCQF credit points at SCQF level 8*)

SCQF credit points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF credit points at an SCQF level. There are 12 SCQF levels, ranging from National 1 to Doctorates.

Recommended prior knowledge and skills: Entry is at the discretion of the centre, however it is recommended that candidates should have good communication and numerical competence, and some familiarity with the use of spreadsheets and graphical presentation. Other knowledge, skills and experience relevant to the unit would also be beneficial.

It would be beneficial if candidates have achieved SQA Advanced Unit HP4J 47 Hospitality: Financial and Control Systems.

Core Skills: There may be opportunities to gather evidence towards Core Skills in this unit, although there is no automatic certification of Core Skills or Core Skills components.

Context for delivery: If this unit is delivered as part of a group award, it is recommended that it should be taught and assessed within the subject area of the group award to which it contributes. This unit is included in the framework of the SQA Advanced Diploma Hospitality Management and SQA Advanced Diploma Professional Cookery.

Assessment: It is recommended that each outcome is assessed separately. The assessments cover the use of break-even analysis, preparing cash budgets, comparative statements and pricing methods.

Unit specification: statement of standards

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The sections of the unit stating the outcomes, Knowledge and/or Skills and evidence requirements are mandatory.

Where evidence for outcomes is assessed on a sample basis, the whole of the content listed in the knowledge and/or skills section must be taught and available for assessment. Candidates should not know in advance the items on which they will be assessed and different items should be sampled on each assessment occasion.

Outcome 1

Apply break-even analysis in practical decision making

Knowledge and/or Skills

♦   Factors contributing to profitability – sales volume; level of fixed costs
♦   Profit stability – margin of safety
♦   Effect of changes in selling price/fixed costs
♦   Calculation of break-even point using unit contribution
♦   Preparation of break-even graphs to include margin of safety
♦   Selection of appropriate business alternatives for hospitality operations based on relevant sales, cost/profit analysis of alternatives

Evidence requirements

The candidate is required to produce evidence to demonstrate his/her Knowledge and/or Skills to show that he/she can:

♦   use break-even analysis to select the most appropriate scenario from two alternatives giving reasons for the choice.
♦   prepare break-even charts.
♦   show the effect of changes in selling price or fixed costs on break-even and profitability in graph form.

Assessment guidelines

The assessment of this outcome should be conducted closed-book under supervised conditions and is designed to enable the average candidate to complete it in one hour.

The assessment should comprise one case study. It should involve calculations for two alternative business scenarios to establish their break-even points by the 'contribution' method.

The calculations should include either the effect of changes in selling price or the effect of changes in fixed costs.

The candidate should identify the most profitable option, give reasons and produce a break-even graph to illustrate the chosen scenario.

To achieve this outcome candidates should attain 70% of the available marks.

Candidates should be encouraged to present work neatly at all times.

Outcome 2

Prepare a cash budget

Knowledge and/or Skills

♦ Overview of the preparation of sales and master budgets
♦ Detailed preparation of cash budgets
♦ Set up a cash budget to include:
  — Sales figures
  — Total monthly income from cash and trade receivables
  — Raw material costs
  — Total monthly expenditure on raw materials in cash and to trade payables
  — VAT on sales and purchases
  — Total monthly cash inflow
  — Total monthly cash outflow
  — Monthly cash surplus/deficit
  — Closing balance
  — VAT cash outflow

Evidence requirements

The candidate will need evidence to demonstrate his/her knowledge and skills by providing a 3-month cash budget.

Candidates should be given information on the criteria to be used such as the ratio of cash to credit sales, the ratio of cash to credit purchases, the raw material cost ratio, the terms allowed to trade receivables, the terms allowed to trade payables and VAT rates.

Assessment guidelines

The assessment is mainly concerned with the construction of a working budget and can be completed manually or by computer. Candidates will require clear information on the criteria to be used.

The assessment should be open-book and supervised to ensure that it is the candidates' own work.

Outcome 3

Prepare statements reconciling budgeted and actual net profit using variance analysis

Knowledge and/or Skills

♦ Differences between revenue-based and cost-based variances
♦ Calculation of revenue variances – number of covers; average selling price
♦ Calculation of cost variances - number of covers; usage; price
♦ Reconciliation of budgeted and actual net profits using cost and revenue variances
♦ Analysis of results and measures to provide effective corrective actions

Evidence requirements

The candidate is required to produce evidence to demonstrate his/her Knowledge and/or Skills to show that he/she can:

♦ prepare comparative statements reconciling budgeted and actual net profit (for a food and beverage operation) using cost and revenue variances.
♦ analyse the results giving suggested corrective actions for variances.

Assessment guidelines

The assessment of this outcome should be open-book and supervised and completed in one hour.

Outcome 4

Apply various pricing methods for a hospitality operation

Knowledge and/or Skills

♦ Identification of internal and external factors affecting business pricing decisions including costs; cost structure of organisation; design of product/service; organisational objectives; nature of company; its resources
♦ Analysis of the methods of pricing - advantages and disadvantages to an organisation
♦ Calculation of accommodation tariffs using the 'bottom-up' approach
♦ Calculation of food, beverage and overall menu prices using differential profit margins and cost plus method of pricing

Evidence requirements

The candidate is required to produce evidence to demonstrate his/her Knowledge and/or Skills to show that he/she can:

♦ apply pricing methods to show the pricing of accommodation using the 'bottom-up' approach and the pricing of food and beverage operations using differential profit margins and the cost plus method of pricing.

Assessment guidelines

The assessment of this outcome should be conducted under closed-book supervised conditions in one hour.

The assessment should be a case study to calculate accommodation pricing based on the 'bottom –up' approach and food and beverage pricing based on differential profit margins and the 'cost plus' pricing method.

To achieve this outcome candidates should attain 70% of the available marks.

Candidates should be encouraged to present work neatly at all times.

Administrative information

Unit code: HP4C 48

Unit title: Managing Financial Resources in Hospitality

Superclass category: AK

Original date of publication: August 2017

Version: 01

History of changes:

Version	Description of change	Date

Source: SQA

SQA acknowledges the valuable contribution that Scotland's colleges have made to the development of SQA Advanced Qualifications.

FURTHER INFORMATION: Call SQA's Customer Contact Centre on 44 (0) 141 500 5030 or 0345 279 1000. Alternatively, complete our Centre Feedback Form.

Unit specification: support notes

Unit title: Managing Financial Resources in Hospitality (HP4C 48)

This part of the unit specification is offered as guidance. The support notes are not mandatory.

While the exact time allocated to this unit is at the discretion of the centre, the notional design length is 40 hours.

Guidance on the content and context for this unit

Outcome 1 develops the concept of break-even and includes calculation of break-even point both arithmetically and graphically.

The study should include:

♦ the relationship between fixed and variable costs and the resulting profit stability and margins of safety.
♦ the effect on profitability following changes in selling price or fixed costs.

Practical case studies should involve comparing the effect on a business of alternative scenarios involving adjustments to costs and selling prices, for instance: the number of covers required to maintain original net profit, calculation of actual net profit or the effect of changes in selling price and changes in level of fixed costs.

Outcome 2 involves the production of a cash budget. In preparation for the production of cash budgets, the concept of budgeting should be briefly covered. Sales budgets, master budgets and the criteria used to determine cash flow should be introduced. The main part of the outcome is concerned with the production of a cash budget using the criteria set.

Outcome 3 involves the identification of differences between revenue-based and cost-based variances; the calculation of revenue variances – number of covers; average selling price; the calculation of cost variances - number of covers; usage; price; the reconciliation of budgeted and actual gross profits using cost and revenue variances. Exercises could then be expanded to include examination of labour and overhead variances and the comparison of budgeted with actual net profit and the analysis of results and measures to provide effective corrective actions.

Outcome 4 covers the main methods of pricing. This should include cost plus, rate of return (using the 'Hubbart' or 'bottom-up' formula) and marginal pricing. Other methods of pricing should be discussed, eg: absorption, contribution, backward.

Guidance on the delivery and assessment of this unit

This unit will be delivered as part of the SQA Advanced Diploma in Hospitality Management. It is important in delivery to ensure that candidates have a thorough grounding in the subject area by previously having studied *Hospitality Financial and Control Systems* (HP4J 47).

Open learning

This unit could be delivered by open or distance learning. However, it will require planning by the centre to ensure the sufficiency and authenticity of candidate evidence. Arrangements would have to be made to ensure that the assessment is conducted under supervision.

Equality and inclusion

This unit specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when planning learning experiences, selecting assessment methods or considering alternative evidence.

Further advice can be found on our website www.sqa.org.uk/assessmentarrangements.

General information for candidates

Unit title: Managing Financial Resources in Hospitality

This unit develops some of the concepts of control introduced in the unit Hospitality: Financial and Control Systems and introduces further techniques to assist in the running of a hospitality business.

Outcome 1 develops the concept of break-even and includes calculation of break-even point both arithmetically and graphically.

The study should include:

♦ the relationship between fixed and variable costs and the resulting profit stability and margins of safety.
♦ the effect on profitability following changes in selling price or fixed costs.

Practical case studies should involve comparing the effect on a business of alternative scenarios involving adjustments to costs and selling prices.

It will be assessed by a case study with alternative scenarios from which you should choose the most profitable.

Outcome 2 introduces the concept of budgeting and the production of a cash budget.

Outcome 3 is based on the calculation of variances between budgeted and actual information in a food and beverage operation. You will also be required to use the variances you have calculated to reconcile the budgeted gross profit with the actual gross profit.

The assessment will be a case study based on these techniques.

Outcome 4 covers the main methods of pricing — both for food and beverage operations and for accommodation. It will include the calculation of prices using the most popular methods and also consider other methods which are available.

The assessment will be a case study based on the methods by which you have calculated prices.