

Unit 6 – Finance

Scenario A

Hotel on the Hill – B&B

Brian Matthews is the owner and manager of the 'Hotel on the Hill' which is a 3-star budget bed & breakfast (B&B) in Wales. Brian bought the business in 2015 after being unable to pay debts from his previous business and becoming bankrupt. The B&B has six rooms with a maximum occupancy of twelve guests.

Brian charges £55 for a single guest per night, or £75 for a 'couple' per night. It costs Brian £14 per guest, per night. Brian pays three staff £8.70 per hour – they each work 22 hours per week. Yearly bills are split into the following:

- Utilities - £23,000
- Broadband & Phone - £18,000
- Insurance - £12,250
- Website - £1,500

Information fictitious and does not represent any genuine business

Question 1

Suggest and explain two sources of finance Brian could have used to buy and renovate the B&B [4]

Question 2

List three sources of finance for larger businesses that are inaccessible to smaller businesses [3]

Question 3

It costs Brian £14 per guest in variable costs. Which **two** of the following could be examples of variable costs to the B&B. [2]

- Television package for rooms
- Breakfast per guest
- Wi-Fi access for guests
- Landscapers
- Tea & coffee in rooms

Question 4

Calculate total fixed costs for Scenario A [1]

Question 5

Brian had 65 couples and 80 single guests in November 2016. **Calculate** sales revenue for this period [2]

Question 6

Re-calculate sales revenue for November 2016 with a price increase to £58 for a single guest and £80 for a couple. **Comment** on this figure. [3]

Question 7

Brian made £34,000 in 2014. **Calculate** profit for this period using the original pricing – i.e. those in the scenario [2]

Question 8

Assess the likely effects to both guests and the business of the price increase given in Q5d [6]

Question 9

Which **two** of the following would be cash outflows for Brian's B&B? [2]

Place a cross in **two** of the boxes.

Interest on loan

Customer trade credit

Share capital

Unexpected maintenance

Question 10

Complete the cash flow statement [4]

Write your answer in the table below:

	April (£)	May (£)
Total Inflows	£ 23,400	£ 21,100
Total Outflows	(i)	£ 9,220
Net cash flow	£ 14,200	(iii)
Opening Balance	£ 14,600	(iv)
Closing Balance	(ii)	£ 40,680

Question 11

Comment on the cash flow statement above [2]

Write your answer in the space below:

Question 12

Label the components of the break-even chart on the lines below [4]

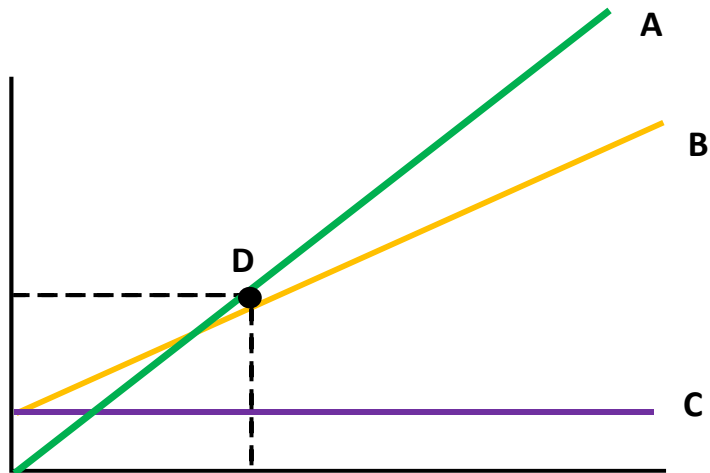
Write your answer in the spaces below:

A

B

C

D



Question 13

State one factor that could cause the break-even point to change [1]

Question 14

Describe the purpose of using income statements [2]

Question 15

Complete the income statement [2]

	April	May
<u>Sales</u>		
Revenue	(i)	£ 21,100
Cost of sales	£ 9,200	£ 7,600
Gross Profit	£ 14,200	(iii)
<u>Expenses</u>		
Mortgage	£ 1,000	£ 1,000
Gas & Electricity	£ 900	£ 850
Salaries	£ 1,120	£ 1,120
Taxation	(ii)	£ 1,600
Net Profit	£ 9,380	(iv)

Question 16

Comment on the income statement above [2]

Write your answer in the space below:

Question 17

State the formula of each calculation [4]

	Formula
Gross Profit	
Gross Profit Margin	
Net Profit	
Net Profit Margin	

Question 18

Explain the difference between gross profit margin and net profit margin [2]

Question 19

Explain how a business can (i) improve gross profit and (ii) net profit [6]

Question 20

Define what is meant by the term 'interest' [1]

Question 21

Calculate the interest rate when £23,000 is borrowed and £35,000 is repayable [3]

Question 22

Which **three** of the following are **most** likely to effect interest rate? [3]

Place a cross in **three** of the boxes.

- Changes to exchange rate
- Changes to unemployment
- Changes to inflation
- Changes to legislation

Question 23

Calculate average rate of return (ARR) when £65,000 is invested over 2 years where average annual profit is £82,400 [2]

Question 24

Comment on the ARR return result above [2]