

# SQA Advanced Unit Specification

## General information

<b>Unit title:</b>	Managing Financial Resources in Hospitality (SCQF level 8)
<b>Unit code:</b>	J47H 48
<b>Superclass:</b>	AK
<b>Publication date:</b>	June 2020
<b>Source:</b>	Scottish Qualifications Authority
<b>Version:</b>	01

## Unit purpose

The purpose of this unit is to develop learners' understanding of the impact of management decisions on business profitability.

This unit will enable learners to make business decisions and manage financial resources in a hospitality setting, with emphasis on cash transactions. This will involve tracking cash movements and making reasoned projections as required in business operations.

This unit is mandatory in the SQA Advanced Diploma in Hospitality Management at SCQF level 8. However, it can also be delivered as a stand-alone unit.

This unit is also part of a progressive suite of units relating to finance in the hospitality industry at SCQF levels 5–8.

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### Outcomes

On successful completion of the unit, the learner will be able to:

- 1 Apply break-even analysis in practical decision making.
- 2 Reconcile business records of cash movements with bank statements.
- 3 Compile a statement of cash flows.
- 4 Prepare a cash budget for a given hospitality operation to aid decision making processes.

### Credit points and level

1 SQA unit credit(s) at SCQF level 8: (8 SCQF credit points at SCQF level 8).

### Recommended entry to the unit

While entry is at the discretion of the centre, learners will benefit from having:

- ◆ Competence in numeracy
- ◆ Completed qualifications in Hospitality Management, Professional Cookery or Events Management at SCQF level 7
- ◆ Relevant experience of working in the hospitality industry

### Core Skills

Achievement of this unit gives automatic certification of the following:

- ◆ Core Skill component(s) Critical Thinking at SCQF level 6  
Using Number at SCQF level 6

There are also opportunities to develop aspects of Core Skills which are highlighted in the **support notes** section of this unit specification.

### 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 delivered as part of the SQA Advanced Diploma in Hospitality Management at SCQF level 8.

Centres should aim to contextualise each of the outcomes with reference to current industry practice, using realistic figures to enable learners to relate to the scenarios presented in learning and assessment.

The Assessment Support Pack (ASP) for this unit provides assessment and marking guidelines that exemplify the national standard for achievement. It is a valid, reliable and practicable assessment. Centres wishing to develop their own assessments should refer to the ASP to ensure a comparable standard. A list of existing ASPs is available to download from SQA's website (<http://www.sqa.org.uk/sqa/46233.2769.html>).

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### **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](http://www.sqa.org.uk/assessmentarrangements).

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### Statement of standards

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Acceptable performance in this unit will be the satisfactory achievement of the standards set out in this part of the unit specification. All sections of the statement of standards are mandatory and cannot be altered without reference to SQA.

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. Learners 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, including sales volume and fixed costs
- ◆ Use of margins of safety to demonstrate profit stability
- ◆ Effect on business of changes in selling price, variable costs and fixed costs
- ◆ Calculation of changes to break-even points
- ◆ Making appropriate business decisions to maximise profit stability

#### Outcome 2

Reconcile business records of cash movements with bank statements.

##### Knowledge and/or skills

- ◆ Identifying cash transactions recorded in the cash book and bank statement
- ◆ Investigating individual items not highlighted in both the cash book and the bank statement
- ◆ Preparing statements to reconcile both sets of records to the satisfaction of the bank and the business

#### Outcome 3

Compile a statement of cash flows.

##### Knowledge and/or skills

- ◆ Identifying sources and reasons for movement of cash inflows in a hospitality business
- ◆ Identifying sources and reasons for movement of cash outflows in a hospitality business
- ◆ Reconciling movements in cash and cash equivalents which accurately reflect the reality of the hospitality business

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### Outcome 4

Prepare a cash budget for a given hospitality operation to aid decision making processes.

#### Knowledge and/or skills

- ◆ Understanding the need for an accurate cash budget for any hospitality business
- ◆ Compiling appropriate and realistic information required to complete a cash budget
- ◆ Preparing cash budgets, identifying any surplus/deficit on a month to month basis
- ◆ Reporting on possible issues relating to cash budgets and identifying solutions
- ◆ Identifying areas where cash flow could present problems for a business and present alternatives to maintain a positive cash flow

#### Evidence requirements for this unit

Learners will need to provide evidence to demonstrate their knowledge and/or skills across all outcomes by showing that they can:

#### Outcome 1

Learners should be provided with a case study containing information on two proposals for development, based on a typical hospitality operation that enables them to:

- ◆ Calculate two alternative break-even points
- ◆ Calculate two different margins of safety
- ◆ Recommend the adoption of one proposal based on:
  - Profitability
  - Profit stability
  - Realistic projections, given current and future economic conditions

#### Outcome 2

Learners are required to:

- ◆ Identify items which appear in both the bank statement and the business cash book
- ◆ Explain why these items may not agree and how they could be corrected in each of the records
- ◆ Prepare a statement, in standard format, which satisfies both the bank and the business
  - This should identify where corrections could be made to the cash book and when the business should contact the bank to question transactions
  - Learners should begin with the balance in the cash book and reconcile it with the bank statement balance

#### Outcome 3

Learners should be provided with two sequential statements of financial position for a hospitality business with which to compile a statement of cash flows. The statement should include the headings:

- ◆ Operating activities
- ◆ Investing activities

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- ◆ Financing activities
- ◆ Net cash flows

Under each of these headings, learners should identify the cash inflows and outflows of the business in order to reflect the financial position of the business.

### **Outcome 4**

Learners should be provided with sufficient information to enable them to prepare a cash budget for three months for a given hospitality business that includes an overdraft situation. Information should include:

- ◆ Ratio of cash and credit sales
- ◆ Ratio of cash and credit purchases
- ◆ Terms allowed to trade receivables
- ◆ Terms allowed to trade payables
- ◆ VAT rates
- ◆ Payment to HM Customs and Excise
- ◆ Purchase of a piece of equipment

The cash budget can be prepared using a manual or computerised system. Learners should then use their cash budget to report on the following:

- ◆ Areas where management of cash flows could be improved
- ◆ Solutions to the overdraft situation

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### Support notes

**Unit title:** Managing Financial Resources in Hospitality (SCQF level 8)

Unit support notes are offered as guidance and 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

It is important to note that the overall purpose of this unit is to enable learners to understanding the impact of management decisions on the business profitability. This includes the importance of break-even points and margins of safety, controlling cash transactions involved in the day-to-day running of a business and the impact of overspending and low-income periods over time.

This includes:

- ◆ Consideration of the impact on the longevity of business decisions, given the opportunity to alter the business offering.
- ◆ The importance of monitoring cash book entries to ensure the accuracy of the business records and that these match the bank records.
- ◆ Determining cash inflows and outflows of a business over a specified time period and how this reflects on the business viability and efficiency, including overspends.
- ◆ Preparing a cash budget for a specified time to allow management decisions to be made which maximise the liquidity and financial stability of a business.

This unit provides a grounding in calculations required for a successful career in hospitality management and/or continuing to degree level qualifications in the industry.

#### Guidance on approaches to the delivery of this unit

In order to provide ample opportunities for learners to satisfy evidence requirements for this unit, it is essential that the delivering centre has access to appropriate/suitable IT facilities and spreadsheet/Excel programmes.

It is important when beginning delivery of this unit, time is taken to establish the starting point of all learners and not to assume that learners have experience of working with numbers in a hospitality setting.

It is also important to encourage group work to allow for sharing of personal experiences, be that from a work or customer point of view. To this end, wherever possible, learners could be exposed to realistic work environments either within the learning environment or through visits to a variety of establishments. This encourages contextualisation and application of the terminology used throughout the delivery of this unit.

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The outcomes of this unit should be delivered in the sequence, as this will allow for a development of skills outcome on outcome.

### Outcome 1

A recommended starting point for this outcome is a revision of break-even points as covered in SCQF level 7 unit, *Hospitality Financial Control Systems*. This will ensure a basic understanding of simple:

- ◆ Unit variable costs
- ◆ Unit contribution
- ◆ Fixed costs
- ◆ Break-even points in covers and money

This can then lead to completion of a selection of case studies, each of which should provide an opportunity to examine and compare the effect of two proposals to change/alter the current offering of a hospitality operation.

These proposals can contain more complex variable cost calculation to include the calculation of food and drinks separately, using target gross incomes for both. Lecturers could also include variable labour costs that will be reflective of zero hours contracts involved in the change of number of covers.

Lecturers could then introduce a change in fixed costs caused by a change in rent/rates, for example.

This will allow for discussion on the effects on break-even points and the introduction of margin of safety. Following discussion, lecturers could then look at the ideal scenario:

- ◆ Maximising net income while considering:
  - Short term gains — low break-even point plus large margin of safety
  - Long-term gains — higher break-even point plus large margin of safety

When making recommendations, cognisance of local market intelligence, target customer expectations, staffing levels/skills and time constraints should all feature.

Learners can complete the calculations on their own and then come together in groups of two or three to discuss which proposal would be more achievable and acceptable to management/owners. The end result could be a presentation of the pros and cons of each possible decision, before making recommendations for the adoption of one of the proposals.

### Outcome 2

A recommended starting point for this outcome is a group discussion on the learners' experiences of banks and bank statements - do they check their own bank accounts and what do they do if they think their bank has 'got it wrong'?



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Given that some learners will have little or no experience of this type of activity, lecturers could consider supplying them with a sample bank statement and explaining each of the transactions, including:

- ◆ Debit (Dr) and Credit (Cr) entries
- ◆ Interest received
- ◆ Bank charges
- ◆ Time delays in bank processing
- ◆ Running balances

Lecturers could then move on to the layout of a cash book as used in day-to-day recording of cash and bank transactions in a hospitality business. Time could be spent explaining the difference between Dr and Cr entries from a business point of view and comparing these to the recording in a bank statement.

Lecturers could then supply a sample of the cash book and again, go through different types of entries, explaining what they mean.

A case study approach may be used to enable learners to gather appropriate records from the business accounts and the business bank account. Bank statements, accounting records, etc can be either electronic or hard copy. These could be presented in a standard pro forma.

Lecturers could then work through an example comparing the entries in the cash book and the entries appearing in the bank statement. For example:

- ◆ Focus on the Dr entries in the cash book and match them with the Cr entries in the bank statement, by ticking or highlighting those which appear in both. If the Dr entries do not match, circle the entry in the cash book and/or bank statement
- ◆ Move on to the Cr entries in the cash book and match them with the Dr entries in the bank statement, by ticking or highlighting those which appear in both. If the Cr entries do not match, circle the entry in the cash book and/or bank statement
- ◆ Highlight any entries which appear in one but not the other

Working in groups, learners could then discuss the possible reasons for any discrepancies, reporting back to the whole group. This could then provide a comprehensive list of the following:

- ◆ Cheques drawn but not yet cleared by the bank
- ◆ Deposits made but not yet recorded by the bank
- ◆ Bank charges not recorded in the cash book
- ◆ Standing orders/direct debits not recorded in the cash book
- ◆ A cheque received being refused by the bank
- ◆ A payment recorded twice in the cash book
- ◆ A payment received or missed in the cash book
- ◆ Bank interest not recorded in the cash book

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Lecturers can then move on to compiling the reconciliation statement, using a pro forma such as:

Balance as per cash book			
Adjustments to the cash book (Based on bank statement)			
Add	Bank interest	Detail	
	Credit transfers	Detail	
Subtract	Bank charges	Detail	
	Standing orders	Detail	
	Direct debits	Detail	
	Cheques refused	Detail	
Add/ subtract	Errors	Detail	
= Adjusted cash balance in cash book			
Balance as per bank statement			
Adjustments to the bank statement (Based on cash book)			
Add	Deposits not recorded yet	Detail	
Subtract	Cheques issued but not cleared	Detail	
Add/subtract	Errors	Detail	
= Adjusted balance per bank statement			

The shaded squares could be the same figure.

Learners could then be supplied with a minimum of **six exercises** to complete and record in a portfolio of evidence.

### Outcome 3

It would be worthwhile revisiting the income statement and statement of financial position, reminding learners of the different sections in each one. Lecturers could then introduce the concept of an appropriation account that is used in limited company accounts, explaining the different types of financing involved with shareholders and how they benefit from investing.

This outcome could be introduced by explaining that a statement of cash flow summarises a company's inflow and outflow of cash, meaning where a business' money came from (cash receipts or cash inflows) and where it went (cash paid or cash outflows). By cash, we mean both physical cash and money in the bank. The statement of cash flows is a standard financial statement used alongside the income statement and statement of financial position. This statement usually breaks down the cash flow into three categories including **operating, investing and financing activities**.

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Learners could be provided with sequential income statements and statements of financial positions for a two-year period and use these to work through the differences to highlight:

- ◆ Sources and reasons for movement of cash inflows:
  - Operating profit
  - Loans
  - Increase in trade payables
  - Decrease trade receivables
  - Decrease in stock
  - Sale of non-current assets
  - Increase in cash from owner/shareholders (equity increase)
  - Increase in bank overdraft
  
- ◆ Sources and reasons for movement of cash outflows:
  - Operating loss
  - Repayment of loans
  - Decrease in trade payables
  - Increase in trade receivables
  - Increase in stock
  - Purchase of non-current assets
  - Payment of cash to owner/shareholders (equity decrease)
  - Increase in cash and cash equivalents

Learners could identify the differences in these figures before committing them to a pro forma, such as the example below.

### Cash flow statement essentials

**Operating activities:** These make up the day-to-day business, for example, selling products, purchases, wages and operating expenses. In other words, the net income from the income statement. This is a one-off figure taken from the income statement of year 2.

**Investing activities:** include buying and selling assets like property and equipment, lending money to others and collecting the principle, and buying and selling investments in other organisations/individuals. These are the difference figures between year 1 and year 2, calculated on the question in long-term liabilities section of the statement of financial position.

**Financing activities:** include changes in trade creditors, changes in trade payables, changes in stock levels and dividends paid for this year. These are the difference figures between year 1 and year 2, calculated on the question in long-term liabilities and owners/stockholders' equity from the statement of financial position.

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Statement of cash flow for	(Company name and date)
<b>Cash at the beginning of the year</b>	
<b>Operating activities</b>	
◆ Net income	
<b>Investing activities</b>	
Cash receipts:	
+	
+	
+	
Cash payments:	
-	
-	
<b>Net cash flows from investing activities =</b>	
<b>Financing activities</b>	
Cash receipts	
+	
+	
Cash payments	
-	
-	
<b>Net cash flows from financing activities =</b>	
<b>Net increase in cash</b>	
<b>Cash at the end of the year (This could be the cash figure in year 2)</b>	

Reconciliation of movements in cash and cash equivalents is then demonstrated at the end of this statement.

### Outcome 4

This outcome should follow seamlessly from Outcome 3 to give detailed information for management/owners to enable reasoned decisions on money management.

Group discussions on the effects of poor money management should identify the need for an accurate cash budget for any hospitality business, including credit ratings and financial standing in the business community.

Learners could then be encouraged to identify the types of income and expenditure based on income statements and the purchase or sale of assets.

A manual format or an excel programme can be used to deliver this outcome.

Lecturers could then work through an example of a three-month budget using a pro forma that could include the following:

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Cash budget for	(Name of establishment and dates for budget)			Notes
	Month	Month	Month	
Cash income				
Sales: cash				
Sales: credit				
VAT on sales				
<b>Total monthly income</b>				
Cash outflows				
Purchases: cash				
Purchases: credit				
VAT on purchases				
Utilities				
Purchase of assets				
HM Customs and Excise				
Rates				
Wages/salaries				
<b>Total monthly cash outflows</b>				
<b>Monthly cash surplus/deficit</b>				
Opening cash balance				
= or – surplus/deficit				
<b>Closing cash balance</b>				

Time should be taken to explain the workings of the following in detail:

- ◆ Cash and credit sales and purchases
- ◆ VAT on cash inflow and outflow
- ◆ HMRC payments
- ◆ Trade payables and receivables
- ◆ Opening and closing cash balances

Discussion on management of these cash flows should follow in terms of the timings of the cash movements. Learners can then identify possible problems and make recommendations to reduce the possibility of these movements causing the business to have cash flow issues and the impact this would have on the business.

Lecturers could then provide a minimum of four examples for learners to complete and form a portfolio of evidence. Feedback should be provided on the calculations, especially on the content of the report on each. Learners should be encouraged to identify the main issues, including an overdraft, in each of the examples within a three-month period and make suggestions for improvements.

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### Guidance on approaches to assessment of this unit

Evidence can be generated using different types of assessment. The following are suggestions only. There may be other methods that would be more suitable to learners.

Centres are reminded that prior verification of centre-devised assessments would help to ensure that the national standard is being met. Where learners experience a range of assessment methods, this helps them to develop different skills that should be transferable to work or further and higher education.

All outcomes should be assessed in an open book format, where learners have access to log books and/or worked examples completed during the delivery of this unit.

Learners could also compile and present their evidence in a portfolio — this would help to confirm understanding and application of all concepts as stated in the evidence requirements.

Learners should be allowed access to calculators, phones and other devices as used in day-to-day life calculations.

#### Outcome 1

This outcome could be assessed using one case study that provides the learner the opportunity to apply proposed changes to Average Spending Power (ASP), variable and fixed costs and how these changes affects the profitability and profit stability of a hospitality organisation.

Recommendations based on these calculations should be made to provide the owners/management with reasoned comments to enable an informed decision to be made.

This evidence can be generated under open book, supervised conditions where the learner may refer to previously completed examples.

#### Outcome 2

This outcome could be assessed using a case study that presents the learner with sufficient information to prepare a bank reconciliation statement.

The reasons for differences between the cash book entries and the bank statement could include:

- ◆ Payments recorded in the cash book not yet cleared by the bank
- ◆ Deposits made by the business not yet recorded by the bank
- ◆ Any charges made by the bank
- ◆ Bank interest not recorded
- ◆ A cheque received was refused by the bank
- ◆ A payment entered twice in the cash book
- ◆ An incorrect amount entered in the cash book

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### Outcome 3

This outcome could be assessed using a case study providing the learner with sufficient information to complete a pro forma for a statement of cash flow.

Under each of the headings in the statement of cash flow (ie operating, investing and financing activities and net cash flows) the learner could identify cash inflows and outflows of the business to allow for a better understanding of the financial position of the business and how working equity can be maximised.

### Outcome 4

This outcome could be assessed using a case study providing the learner with sufficient information to complete a pro forma for a three-month cash budget that includes an overdraft situation.

The business should operate with an overdraft in one of the months. This could be included in a short report which should also identify any solutions to the overdraft situation. The report could be a minimum of **200 words**.

### Opportunities for e-assessment

E-assessment may be appropriate for some assessments in this unit. By e-assessment, we mean assessment which is supported by Information and Communication Technology, such as e-testing or the use of e-portfolios or social software. Centres wishing to use e-assessment must ensure that the national standard is applied to all learner evidence and that conditions of assessment — as specified in the evidence requirements — are met, regardless of the mode of gathering evidence. The most up-to-date guidance on the use of e-assessment to support SQA's qualifications is available at: [www.sqa.org.uk/e-assessment](http://www.sqa.org.uk/e-assessment).

### Opportunities for developing Core and other essential skills

#### **Numeracy: Using Number at SCQF level 6**

For all outcomes, learners are required to interpret a wide range of complex financial data, reconcile financial business records, compile statements of cash flow and prepare cash budgets. Therefore, learners will be demonstrating the Core Skill component of Using Number at SCQF level 6

#### **Problem Solving: Critical Thinking at SCQF level 6**

For all outcomes, learners are required use a wide range of complex financial information in order to reconcile financial business records, compile statements of cash flow and prepare cash budgets, identify problems, compare proposals and make recommendations on the adoptions of a specific proposal in order to improve profitability and financial stability. Therefore, they will be demonstrating the Core Skill component of Critical Thinking at SCQF level 6.

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### ***Problem Solving: Reviewing and Evaluating at SCQF level 6***

For Outcome 2, learners are required to interpret and analyse a wide range of complex financial data in order to identify inconsistencies in financial records and how to correct them. In addition, for Outcome 4, learners are required to construct a working budget for a hospitality business and identify areas for improved management of cash flows. Therefore, they will be demonstrating the Core Skill component of Reviewing and Evaluating at SCQF level 6.

The Critical Thinking component of Problem Solving at SCQF level 6 and Using Number component of Numeracy at SCQF level 6 are embedded in this unit. When a learner achieves the unit, their Core Skills profile will also be updated to include this component.



## History of changes to unit

Version	Description of change	Date

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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](#).

### General information for learners

**Unit title:** Managing Financial Resources in Hospitality (SCQF level 8)

This section will help you to decide whether this is the unit for you by explaining: what the unit is about; what you should know or be able to do before you start; what you will need to do during the unit; and opportunities for further learning and employment.

The purpose of this unit is to develop your understanding of the impact of management decisions on business profitability.

This unit will enable you to make business decisions and manage financial resources in a hospitality setting, with emphasis on cash transactions. This will involve tracking cash movements and making reasoned projections as required in business operations.

It would be advantageous if you have completed qualifications at SCQF level 7 that cover finance for the hospitality industry, have experience of working with numbers and/or experience of working in the hospitality industry before undertaking this unit.

There are four outcomes in the unit:

- 1 Apply break-even analysis in practical decision making.
- 2 Reconcile business records of cash movements with bank statements.
- 3 Compile a statement of cash flows.
- 4 Prepare a cash budget for a given hospitality operation to aid decision making processes.

The assessments for this unit will be carried out in a supervised environment under open book conditions, so you will be able to access all the work you have completed during the study of each of the outcomes.

Completion of this unit will also enable you to develop the following Core Skills:

- ◆ *Numeracy*: Using Number at SCQF level 6
- ◆ *Problem Solving*: Critical Thinking at SCQF level 6
- ◆ *Problem Solving*: Reviewing and Evaluating at SCQF level 6

On successful completion of this unit, you could progress to other qualifications in Hospitality/Professional Cookery at SCQF level 8 and above, and/or seek employment in the hospitality industry.

This unit is also part of a progressive suite of units relating to finance in the hospitality industry at SCQF levels 5–8.

The Critical Thinking component of Problem Solving at SCQF level 6 and Using Number component of Numeracy at SCQF level 6 are embedded in this unit. When a learner achieves the unit, their Core Skills profile will also be updated to include this component.