

# SQA Advanced Unit Specification

## General information

**Unit title:** Hospitality: Financial Control Systems (SCQF level 7)

**Unit code:** J488 47

**Superclass:** NA

**Publication date:** June 2020

**Source:** Scottish Qualifications Authority

**Version:** 02 (January 2022)

## Unit purpose

This unit is designed to enable learners to develop the knowledge and skills necessary to perform calculations and demonstrate an understanding of basic business principles within the hospitality industry.

This unit provides a grounding in financial calculations required for a successful career in the hospitality industry at supervisory level and/or for progression to the SQA Advanced Diploma in Hospitality Management.

Learners will use electronic spreadsheets/digital packages to cost food and beverage recipes/menus and calculate selling prices. Learners will also prepare income statements; investigate cost behaviours; calculate the effect of changes in costs and sales on business performance and the income required to break-even.

This unit is mandatory in the SQA Advanced Certificate in Hospitality Operations and Professional Cookery at SCQF level 7 and the SQA Advanced Diplomas in Hospitality Management and Professional Cookery with 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 Operate a spreadsheet system for standard costing of recipes.
- 2 Prepare income statements in acceptable formats.
- 3 Identify cost behaviours and their impact on business performance.
- 4 Calculate number of covers and revenue required for a variety of organisations to break-even.

### Credit points and level

1 SQA unit credit at SCQF level 7: (8 SCQF credit points at SCQF level 7).

### Recommended entry to the unit

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

- ◆ basic competence in numeracy and some familiarity with the use of spreadsheets
- ◆ completed qualifications in hospitality, professional cookery or events at SCQF level 5/6
- ◆ relevant experience of working in the hospitality industry

### Core Skills

Achievement of this unit gives automatic certification of the following:

- ◆ Core Skill component Using Number at SCQF level 5

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.

Each outcome could be contextualised to reflect 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>).

### 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.

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Further advice can be found on our website [www.sqa.org.uk/assessmentarrangements](http://www.sqa.org.uk/assessmentarrangements).

### 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

Operate a spreadsheet system for standard costing of recipes.

##### Knowledge and/or skills

- ◆ Spreadsheet systems
- ◆ Costing of standard recipes
- ◆ Calculation of menu selling prices, including VAT
- ◆ Effect of amendments to the cost of ingredients on recipe costs and menu selling prices
- ◆ Effect of applying gross income percentages on recipe costs and menu selling prices

#### Outcome 2

Prepare income statements in acceptable formats.

##### Knowledge and/or skills

- ◆ Elements of costs and profit in the hospitality industry
- ◆ Cost of sales
- ◆ Gross and net incomes
- ◆ Preparation of income statements

#### Outcome 3

Identify cost behaviours and their impact on business performance.

##### Knowledge and/or skills

- ◆ Factors that impact/influence the success of a business
- ◆ Definition of fixed and variable costs
- ◆ Effect of changes to average spends and costs on profitability

#### Outcome 4

Calculate number of covers and revenue required for a variety of organisations to break-even.

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### Knowledge and/or skills

- ◆ Calculation of variable costs
- ◆ Calculation of unit contribution
- ◆ Calculation of break-even point in number of covers and revenue
- ◆ Preparation of tables displaying net incomes generated over a range of activities

### Evidence requirements for this unit

Learners will need to provide evidence to demonstrate their knowledge and/or skills across all outcomes.

#### Outcome 1

Learners are required to use a spreadsheet-based system to cost the recipes for three dishes from one menu and calculate a realistic selling price for a three-course menu.

Evidence should include:

- ◆ Calculation of the standard costing of three recipes, each containing a least six ingredients
- ◆ Calculation of the selling price for a three-course menu for given gross income percentages and inclusive of VAT
- ◆ Amendments to the cost price of least two ingredients to demonstrate the effect on the cost of each recipe and the selling prices of the dishes
- ◆ Application of three different gross income percentages to demonstrate the effect on dish selling prices

Evidence should be generated under supervised, open-book conditions.

#### Outcome 2

Learners are required to:

- ◆ Identify three elements of cost relating to the hospitality industry
- ◆ Identify two elements of profit relating to the hospitality industry
- ◆ Calculate the cost of sales in revenue and percentages
- ◆ Calculate gross and net incomes in revenue and percentages
- ◆ Prepare an income statement for a given scenario, (using a template provided) must include:
  - cost of sales
  - gross income — expressed in revenue and as a percentage
  - labour costs
  - overhead costs
  - net income — expressed in revenue and as a percentage

Evidence should be generated under supervised, open-book conditions.

#### Outcomes 3 and 4

Learners are required to:

- ◆ Identify the factors that impact/influence the success of a business
- ◆ Define the term fixed costs
- ◆ Define the term variable costs

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- ◆ Illustrate, through revised calculations, the effect of changes to ingredient costs and average spends on the profitability of a business
- ◆ Calculate variable costs per cover
- ◆ Calculate unit contributions per cover
- ◆ Calculate the break-even point in number of covers and revenue for a given situation
- ◆ Prepare tables displaying net incomes generated over a range of given activities

Evidence should be generated under supervised, open-book conditions.

### Support notes

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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 develop learners' understanding of financial control in the day-to-day running of any hospitality business. This includes:

- ◆ establishing realistic dish/menu costing which results in a selling price that is acceptable to a specific client group and yet meets the target profits required by the business
- ◆ calculation of gross and net incomes that will satisfy legal requirements and provide information for decision making at supervisory/junior management level
- ◆ determining cost behaviours in business that impact on the level of success of a business
- ◆ calculation of basic break-even points in covers and revenue

This unit provides a grounding in calculations required for a successful career in the hospitality industry at supervisory/management level and/or progressing to SQA Advanced Diploma level qualifications in Hospitality/Professional Cookery.

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

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

It is important that time is taken to establish the starting point of all learners and not to assume that they have experience of working with numbers in a hospitality setting, eg, through prior qualifications or work experience.

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, learners could be exposed to realistic work environments, either within the learning environment or through visits to a variety of establishments. This will encourage contextualisation and application of the terminology used throughout the delivery of this unit.

The outcomes of this unit could be delivered in the sequence of writing as this will allow for a development of skills outcome by outcome.

#### Outcome 1

Introduction to this outcome could focus on simple manual calculations involving kilograms, grams, litres, millilitres, multiplication, division and percentages as a refresher for all

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learners, culminating in one manual recipe costing exercise. Other calculations can be used to consolidate the principles of recipe costing, as required. You could emphasise the need for the use of formulae and demonstrate the checking of this.

Learners will have different experience/expertise in the use of spreadsheets, so it is advisable to establish starting points in the group and then 'buddy' confident users with those less confident. This will support team work and allow time to concentrate on those who may be struggling with the use of formulae in spreadsheets. It would be useful to work through one recipe with all learners, taking account of spreadsheet/number experience/confidence of individual.

Recipes used could contain a minimum of six ingredients, using a mixture of kilograms and litres. Learners could be presented with a choice of recipes which reflect a mix of courses and currency of local dishes available (including those in use in the learning environment). This could serve as a connecting factor with other units being undertaken in any group award.

A demonstration of the effects of changes to recipes/ingredient prices will help to demonstrate the benefits of using spreadsheets.

When considering suggested gross incomes for individual dishes/beverages/menus, group discussion of personal experience of price ceilings will support the allocation of different gross income percentages to different food and beverage items/overall menus.

VAT at standard, current rate should be added to each dish/beverage/menu to arrive at a charge to the customer. Learners could then be encouraged to give a full cost to the customer of two/three-course menu offerings, including beverages. This could then be used in discussions and comparisons made with prices of charged in local hospitality businesses.

Learners could be encouraged to maintain a portfolio of their class work as this will allow them to refer to previous exercises and formulae used in their calculations.

### Outcome 2

Group discussions could be used to introduce the concept of other costs involved in running a hospitality operation. This could involve categorising costs the elements of cost under the headings:

- ◆ Cost of sales, for example:
  - stocks
  - purchases
  - purchases returns
  - staff meals
- ◆ Labour costs, for example:
  - salaries/wages
  - staff uniforms
  - staff travel costs
  - staff meals
- ◆ Overhead costs, for example:
  - utilities (electricity, gas)
  - rent

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- telephone
- stationery

Case studies on a variety of hospitality organisations could be used to enable learners to consider how all of these costs impact on the profits generated by a different types of hospitality operation. The case studies could reflect the different types of local and national operations, to include:

- ◆ Style of operation
  - fast food
  - café
  - bistro
  - hotel
  - restaurant
  - events venues
- ◆ Location
- ◆ Customer profile
- ◆ Competition

Using simple figures within the case studies, learners could then complete standard pro forma income statements to calculate gross and net incomes. The use of £ and % could be used to encourage realistic comparison between businesses and allow for agreement on average, target and budgeted figures:

- ◆ Cost of sales — 20–40%
- ◆ Labour — 25–30%
- ◆ Overheads — 20–25%

### Outcomes 3 and 4

These outcomes can be delivered simultaneously which will help with understanding of concepts and will follow seamlessly from Outcome 2.

The concept of fixed and variable costs can be introduced using the income statements used in the delivery of Outcome 2. You could use realistic examples of different levels of demand to demonstrate how the three elements of cost will behave under different conditions. Learners could then come up with their own definitions of fixed and variable costs.

The behaviour of these costs could be illustrated by varying levels of activity in case studies used in Outcome 2. This could lead to the introduction of unit costs that can then be used to establish the term contribution generated by each customer.

Further information could be added to the case studies used in Outcome 2 in order to enable learners to determine:

- ◆ variable costs per cover
- ◆ total fixed costs
- ◆ unit contribution
- ◆ break-even points in number of covers and revenue

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Having successfully established all of the above, learners could then be presented with proposed changes to:

- ◆ average spends
- ◆ variable costs per cover (for example, due to economies of scale and/or changes in inflation rates)
- ◆ fixed costs incurred due to proposed business charges

Learners could present their results in tabular format, manually or in a spreadsheet.

### Example

No. of covers	Average spend	Variable costs	Fixed costs	Total costs	Net profit	Net loss

Learners could be encouraged to maintain a log-book/portfolio of evidence throughout the delivery of this outcome.

There is no need for learners to produce information graphically in this unit.

### 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 could be transferable to work or further and higher education.

**All** outcomes could 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.

Portfolios may also be used to authenticate evidence presented by learners.

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

Instruments of assessment should be designed to allow learners to provide evidence of understanding and application of all concepts as stated in evidence requirements.

### Outcome 1

Learners could be given a spreadsheet pre-populated with three individual recipes, each containing at least six ingredients, along with realistic price lists for the ingredients.

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Learners should be given sufficient information to enable them to calculate a realistic cost for a three-course menu, reflecting three different gross income percentages. Learners should also demonstrate how different gross income percentages and changes to the prices of ingredients will impact on selling prices.

Learners should calculate VAT inclusive selling prices for a three-course menu that could be presented to clients/customers.

This evidence can be presented in the form of a portfolio that provides opportunity for learners to express their individual style of menu planning and use of current ingredient prices compiled over the delivery of this outcome.

### Outcome 2

This outcome could be assessed using short answer questions based on a case study and completion of a pro forma income statement. The case study should provide learners with sufficient information to complete the income statement with the following calculations:

- ◆ cost of sales
- ◆ gross income
- ◆ labour costs
- ◆ overhead costs
- ◆ net income

Calculations should be presented in terms of revenue (£) and percentages (%).

### Outcomes 3 and 4

A mix of short answer questions and calculations based on information presented in a case study could be used to assess these outcomes.

Using the same base case study as used for Outcome 2, learners should be provided with further information in order to calculate:

- ◆ average spend
- ◆ unit variable costs
- ◆ unit contribution
- ◆ total fixed costs
- ◆ break-even point in covers and revenue

This information could be presented in a given pro forma table.

### 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,

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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**

The Using Number component of Numeracy at SCQF level 5 is embedded in this unit. When a learner achieves the unit, their Core Skills profile will also be updated to include this component.

There are also opportunities to develop further core skills throughout this unit

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

For all outcomes, learners are required to apply a range of numerical skills in order to compare and cost recipes, calculate portion costs, calculate selling prices to meet gross and net incomes and apply VAT to selling prices. In addition, learners will explore various elements of cost, calculate the effect on income of various changes to costs and revenue and calculate break-even points for a variety of situations.

#### ***Information and Communication Technology: Providing/Creating Information at SCQF level 4***

For all outcomes, learners are required to use electronic spreadsheets to enter recipe details, calculate items costs and menu selling prices, apply VAT and calculate break-even points, etc, using appropriate formulae throughout. In addition, learners are required to present information in a table format for Outcome 4.

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

For all outcomes, learners are required cost recipes and calculate selling prices for individual dishes/menus to achieve various revenue/percentage target incomes. They will also explore various elements of cost, calculate the effect on income of various changes to costs and revenue and calculate break-even points for a variety of situations.

## History of changes to unit

Version	Description of change	Date
02	Embedded Core Skills info added: The component Using Number at SCQF level 5	14/01/2022

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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:** Hospitality: Financial Control Systems (SCQF level 7)

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.

This unit is designed to enable you to develop the knowledge and skills necessary to perform calculations and demonstrate an understanding of basic business principles within the hospitality industry.

This unit will provide you with the grounding in financial calculations required for a successful career in the hospitality industry at supervisory level and/or for progression to the SQA Advanced Diploma in Hospitality Management or the SQA Advanced Diploma in Professional Cookery with Management.

You will use electronic spreadsheets/digital packages to cost food and beverage recipes/menus and calculate selling prices. You will also prepare income statements; investigate cost behaviours; calculate the effect of changes in costs and sales on business performance and the income required to break-even.

It would be advantageous if you have completed qualifications at SCQF level 5/6 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.

The assessments for this unit will be carried out in a supervised environment, under open-book conditions. This means that you will be able to access the work you have completed during your studies for this unit. You will be allowed access to calculators, phones or other devices as used in everyday calculations when completing exercises and assessments for this unit.

The Using Number component of Numeracy at SCQF level 5 is embedded in this unit. When you achieve the unit, your Core Skills profile will also be updated to include this component.

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

- ◆ *Numeracy: Using Number* at SCQF level 6
- ◆ *Information and Communication Technology: Providing/Creating Information* at SCQF level 5
- ◆ *Problem Solving: Critical Thinking* at SCQF level 6

On successful completion of this unit, you could progress to other units in Hospitality/ Professional Cookery at SCQF levels 7/8 and/or seek employment in the hospitality industry.

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