BMTP5019
Operations Management

Role of Financial Management in Business

Register

Objectives for Today

- Welcome and Lecture schedule
- Introduction
- Introduction to role of Financial Management in business
- Assignment

Welcome

This term:

- **8 Weeks of lectures**
- **Lectures – 2:00pm-4pm Every Tuesday**
- **Assignment for this module**
- **Module handbook available on Moodle**

Where Are We Now?

Module:	Operations Management
Week	**Lecture Topic**
1	Introduction to Role of Financial Management in business operations
2	Hospitality and tourism industry characteristics and Financial Management implications
3	Introduction to Supply and Demand and financial planning
4	Cost structure
5	Introduction to budgeting
6	Revenue Management
7	Reading Week
8	P&L and Balance Sheet
9-11	Assignment Support
12	Assignment Submission

Introduction

- Which one is a lie? Why?

A) Worked in the hospitality and tourism industry for appropriately 4 years

B) Taught in three continents

C) Visited and attended a conference in Ger

D) None

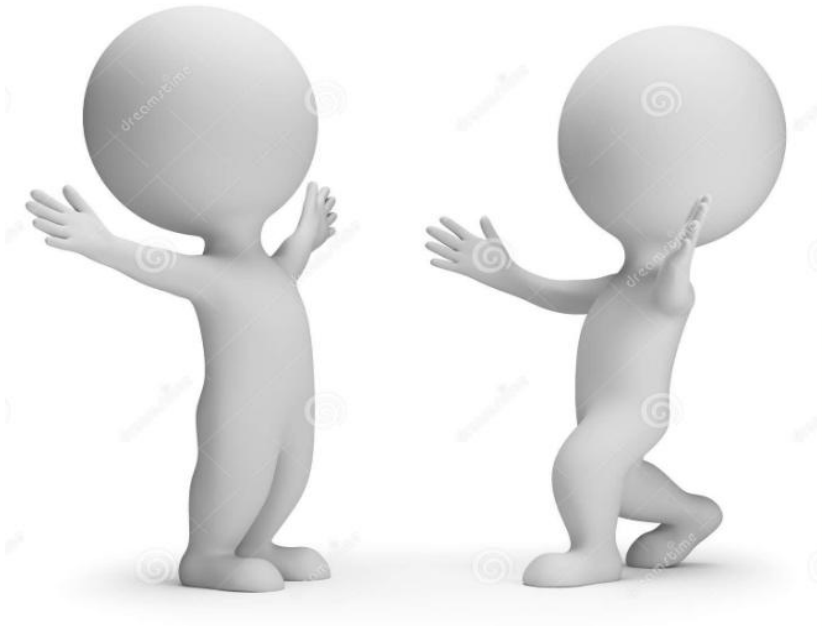
About your Lecturer…

Dr. Ernest Balutie Wavei

Email: e.wavei@uwtsd.ac.uk

Your turn:

Meet each other (breakout conversation)



Introduce yourself. Answer the following:

- Your First name
- Where are you based in the UK?
- Current job
- How many countries have you travelled to?
- Why did you choose this module?
- Anxious about this course?
- What are your plans for the future, upon finishing university?

Announcements- *Classroom Etiquette*

- Greetings and good manners
- Keep the Classroom premises clean and tidy
- Please do not engage in private conversation during class hours
- Use English only in classroom situations
- Be respectful to your fellow classmates, your lecturers or visiting guests
- Do not leave the room during class, except for emergencies
- Join the classroom at least 5 minutes earlier than the scheduled time
- Food and drink are discouraged during class
- **What other rules can we set?**

Group discussion

10 minutes

Why would tourism, leisure and events management students need to know about finance?

Defining Financial Management

In your own words, how would you define financial management?
(5 minutes)

What is Financial Management?

- Financial management refers to applying management concepts to budgeting, forecasting, managing, and controlling a company's financial resources to achieve its objective.

- Financial management aims at maximize investors profit by optimizing the firm's money usage. It deals with all the areas connected to profitability, expenses, cash, and credit.

Areas Pertaining to Finance

Which areas of financial management do you think are most critical for the success of a hospitality or tourism business, and why?

(5 minutes)

Areas Pertaining to Finance

Corporate finance/Business Finance

Is concerned with short and long term operations, utilising capital to increase wealth of shareholders and ensure the continuation of the business while minimizing risks. This will include the generating and maintaining of financial statements.

Investments

Allocation of assets, risk vs return.

Financial institutions

Insurance companies, Brokerage firms, Banks – commercial and investment, credit unions, savings and loans etc

International finance

Some Finance areas in hospitality

- Budgeting
- Cost Control
- Investment Decisions
- Revenue Management etc.

In the coming weeks we will be discussing these and other areas.

For example, Why is budgeting important for tourism, leisure and events, and what can go wrong without it? What are some common costs in operations management, and how can event planners effectively control them?

Financial Jargons

Individual Exercise

Mention any financial jargon you have come across - whether you have heard it, read it or seen it.

Jargon –Financial terminology

[Jargon Buster - Financial Terms | Morgan Stanley Careers]

Asset and Liability

An **asset** is something owned by the business and available for use within the business.

A **liability** is something owed by the business i.e. an obligation to pay money at some future date.

Equity represents the amount of money that would be returned to a company's owner's' if all of the assets were sold and all of the company's debt was paid off.

SUBDIVISION OF ASSETS

FIXED ASSETS

These are those assets purchased for continuing use in the business.

Land, buildings, equipment etc

CURRENT ASSETS

These are short term assets which will be expected to be turned into cash within 1 year. E.g. accounts receivable (money owed by customers or event organisers for services

INTAGIBLE ASSETS

Assets which have no physical dimension of value to an organisation, such as Trademark, patents and brands.

SUB DIVISION OF LIABILITIES

CURRENT LIABILITIES

These are liabilities which are due within 1 year

LONG TERM LIABILITIES

Amounts due after more than 1 year e.g. bank loans and long-term leases.

15:00PM-15:25PM

Some terms are more easily identifiable than others - lets explore some more

Some simple terms

CAPITAL

The amount invested in the business by the owner

i.e. The amount owed by the business to the owner

Drawings

The withdrawal of cash / goods from the business by the owner for his own personal use are classed as drawings

Cash

Cash is legal tender/currency that can be used to exchange for goods, debt, or services.

Liquidity

The value and ease of assets that can be easily converted into cash readily

Total Revenue

Total revenue, also known as gross revenue, is the amount of money your business generates from selling your products or services during a fixed period.

You can find total revenue on the top line of your income statement. It shows your business's total revenue during a specific accounting period — this can be a month, quarter, or even a year. When a company has "top-line growth," it's seeing an uptick in sales or revenues.

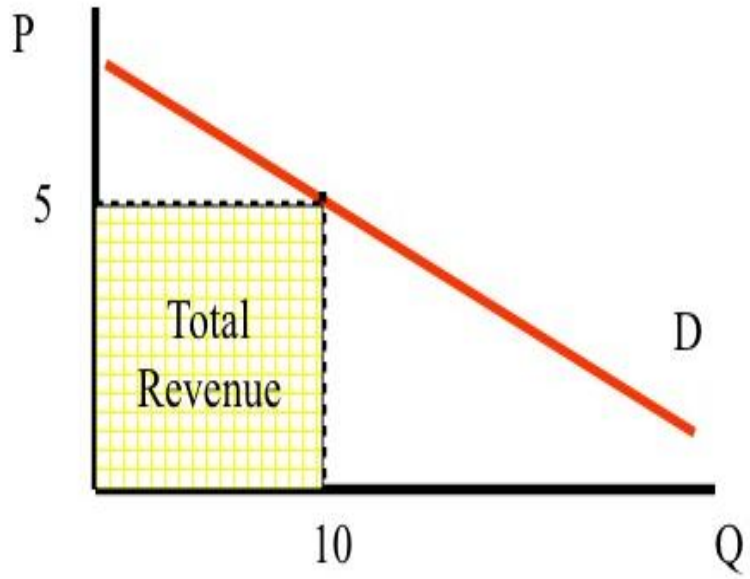
Total Revenue

Price x Quantity = Total Revenue

5 x 10 = 50

- The higher your total revenue, the more revenue your business is generating from its core operation and, ultimately, the more your business is growing.

- If you see a decline in this number, it could be a signal to re-evaluate your sales strategy, pricing model or marketing efforts.



Some basic finance and accounting terms - 1

Term	Brief explanation
Asset	A physical or intangible thing that an organisation uses to generate future revenues. Assets are either current or non-current
Budget	A financial plan or forecast
Capital	Assets less liabilities / funds a company uses for its operations
Cash	The most liquid form of asset
Cost of sales	Opening stock plus stock purchases less closing stock
Creditors	Organisations or individuals who are owed money or goods to
Current	Under 12 months
Debtors	Organisations or individuals who owe money or goods
Depreciation	Reducing the accounting (not market) value of an asset over time
Expenses	Direct costs of running a business, such as labour or stock / costs incurred in the process of generating revenue

Some basic finance and accounting terms - 2

Term	Brief explanation
Finance charge	Interest charged
Inventory	Stocks of goods and materials / goods held for sale
Liability	An amount owing, either current or non-current
Liquidity	The ease with which an asset can be turned into cash
Money	A medium of exchange
Non-current	Over 12 months (Long-term in accounting terms)
Overheads	Indirect costs of running a business (not tied to a specific product or service), such as rent or telephone
Profit	Excess of income over expenditure (that is, financial gain after all expenses are deducted from revenue). There are many types of profit
Loss	When expenses exceed revenue
Revenue	Money amount of sales /income a business ears from its operation
Turnover	Money amount of sales
Working capital	Current assets less current liabilities, indicating the business short-term financial health

Case study

Group work 7 minutes

International Events Company reported its assets and liabilities for the Fiscal Years-Ended 2024 and 2025 as follows:

Accrued expenses, Prepaid expenses, Goodwill, Cash and equivalents, Accounts and notes receivable, Accounts payable, Brands, Contract acquisition costs, and Current portion of long-term debt.

Task: Group the above items into: (a) Current assets, (b) Intangible assets, and (c) Current liabilities.

Financial Management discussion

What should be the goal of an organisation?

What should be the goal of an organisation?

- Maximize profit?
- Minimize costs?
- Maximize market share?
- Maximize the current value per share of the company's existing stock
- *Maximize the market value of the existing owners' equity*

Key Roles of Financial Management in Business Operations

1. Budgeting and Financial Planning

Financial management ensures that businesses plan income and expenditure to meet operational and strategic goals.

A tourism, leisure and events company prepares an annual budget forecasting room revenue, staffing costs, utilities, and marketing spend for peak and off-peak seasons

Key Roles of Financial Management in Business

2. Cost Control and Efficiency

Financial management helps monitor and control costs to maintain profitability.

A leisure centre tracks energy and staffing costs to reduce unnecessary expenses during low-usage periods.

3. Pricing and Revenue Management

Financial managers support pricing decisions that maximise revenue while remaining competitive.

An airline uses demand forecasts to adjust ticket prices dynamically based on seasonality and seat availability.

Key Roles of Financial Management in Business

4. Cash Flow Management

Ensures the business has enough cash to meet short-term obligations such as wages and suppliers.

An event organiser schedules ticket sales and sponsorship payments to ensure sufficient cash before paying suppliers and performers.

5. Risk Management and Investment Decision-Making

Identifies financial risks and prepares contingency plans. Investment for long-term value.

E.g., A tour operator sets aside reserves to manage cancellations caused by weather disruptions or economic downturns.

A theme park assesses the financial feasibility of investing in a new ride by comparing expected revenue against installation and maintenance costs.

Assignment

Financial and Budgeting Plan 1500 word (Refer to Module handbook)

Due **Friday 24th April 2026 (11:59pm)**

Based on your selected project (hotel, resort, or tourism business), you are required to choose one of the following topics to individually research using academic theory to identify budget considerations to address as part of the project planning or provide them with financial statistics for them to use to report on:

- Profit and Loss
- Financial Forecasts
- EPOS
- Yield management
- ROI
- Evaluation of financial performance

Any questions?

Quiz

Answer all questions on the question sheet handed over to you by your lecturer

Inspiration for the Week

Jerry Inzerillo-Corporate Hotelier of the Year 2021

Thank You
For
Joining

Next week…

Hospitality and tourism industry characteristics and financial implications

Dr Ernest Balutie Wavei

Email: e.wavei@uwtsd.ac.uk