

Activity : Module Evaluation Questionnaire



You have 20 Minutes to complete

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Module Evaluation Questionnaire 23/24

Here are the answers for Page 1 :

1. **Module Code** : BMIH5007
2. **Module Name** : Financial Management for the Hotel Industry
3. **Institute** : Institute of Management and Health
4. **Campus** : Swansea SA1

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BMIH5007

Financial Management

Financial Statements

HOSPITALITY
AND
TOURISM
MANAGEMENT

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Outcomes of the session



- Purpose of financial statements
- The Balance Sheet
- The Income Statement
- Statement of Retained Earnings
- Statement of Cash Flows

Primary Financial Statements

- What is the company's current financial status?
- What was the company's operating results for the period?
- How did the company obtain and use cash during the period?

The Balance Sheet

- This is a statement of the financial position of the business at the year end
- It lists all the assets and liabilities of the business
- It indicates the “wealth” of the business
- It can be thought of a “photograph” of the business at the year end

The Balance Sheet

Summary of the financial position of a company at a particular date

- Assets: cash, accounts receivable, inventory, land, buildings, equipment and intangible items
- Liabilities: accounts payable, notes payable and mortgages payable
- Owners' Equity: net assets after all obligations have been satisfied

The Income Statement

- Shows the results of a company's operations over a period of time.
- What goods were sold or services performed that provided revenue for the company?
- What costs were incurred in normal operations to generate these revenues?
- What are the earnings or company profit?

The Income Statement

Revenues

- Assets (cash or AR) created through business operations

Expenses

- Assets (cash or AP) consumed through business operations

Net Income or (Net Loss)

- Revenues - Expenses

The Example Company

Income Statement

For the Years Ended December 31, 2010 and 2011

	2011	2010
Revenues:		
Sales	\$100	\$ 85
Other revenue	<u>30</u>	<u>15</u>
Total revenues	\$130	\$100
Expenses:		
Cost of goods sold	\$ 62	\$ 58
Operating & admin.	16	12
Income tax	<u>20</u>	<u>18</u>
Total expenses	<u>\$ 98</u>	<u>\$ 88</u>
Net Income	\$ 32	\$ 12

Statement of Retained Earnings

Beginning retained earnings

+ Net income

– Dividends paid

= Ending retained earnings

An additional financial statement that identifies changes in retained earnings from one accounting period to the next.

Net income results in:

Increase in net assets
Increase in retained earnings
Increase in owners' equity

Dividends result in:

Decrease in net assets
Decrease in retained earnings
Decrease in owners' equity

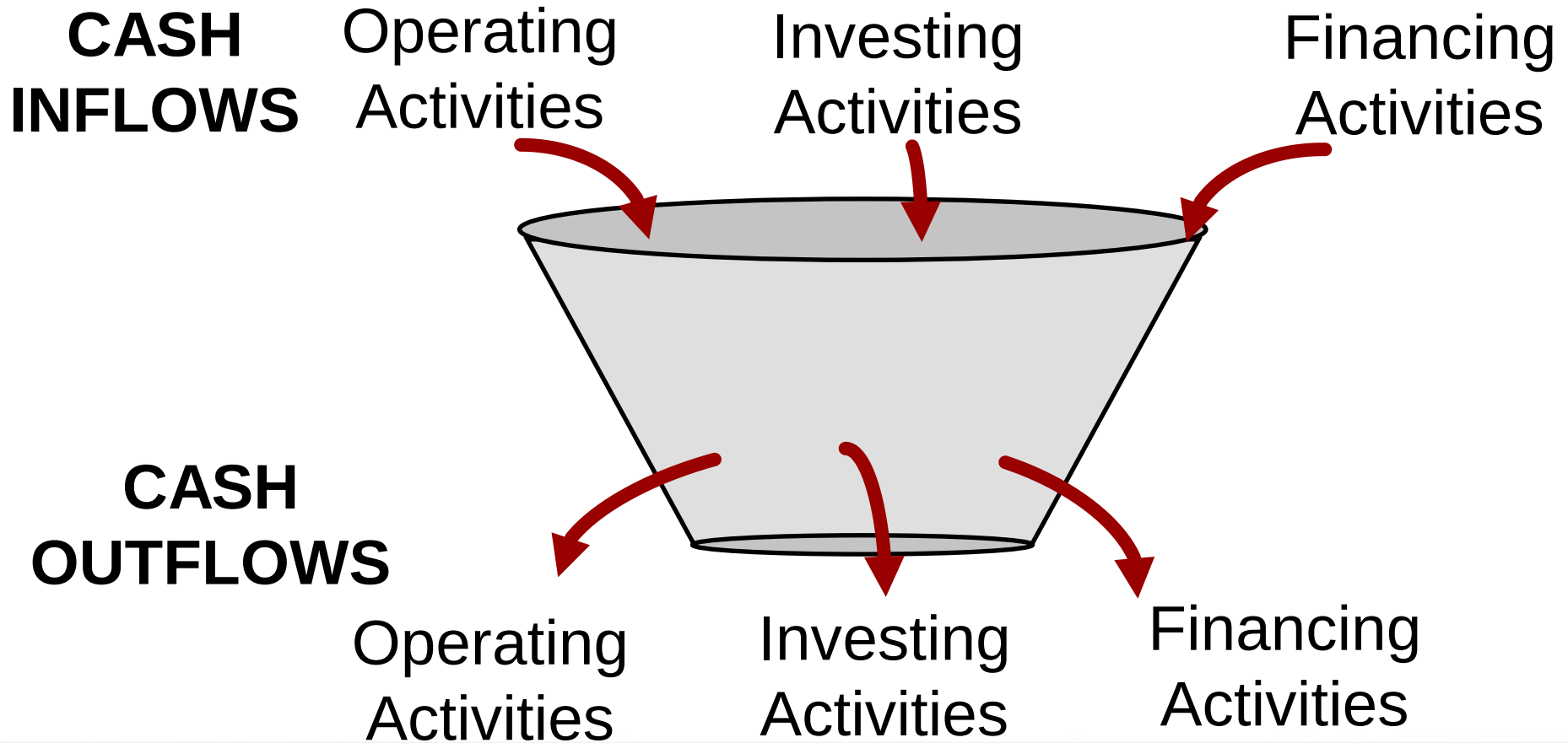
Statement of Cash Flows

- Reports the amount of cash collected and paid out by a company in operating, investing and financing activities for a period of time.
- How did the company receive cash?
- How did the company use its cash?
- Complementary to the income statement.
- Indicates ability of a company to generate income in the future.

Match Classification of Cash Flows

- **Operating activities** – Transactions and events that enter into the determination of net income.
- **Investing activities** – Transactions and events that involve the purchase and sale of securities, property, plant, equipment, and other assets not generally held for resale.
- **Financing activities** – Transactions and events whereby resources are obtained from, or repaid to owners and creditors.

Statement of Cash Flows



Operating Activities

- Collections from customers
- Payments to suppliers and employees
- Operating Expenses

Investing Activities

- Capital Expenditures
- Proceeds from Asset Sales
- Investment in Securities
- Cash from Investments

Financing Activities

- Issuing or Repurchasing Stock
- Borrowing and Repaying Debt
- Payment of Dividends

Cash Flow Statement

Cash--Op. Act.	\$ 973,000
Cash--Inv. Act.	(1,188,000)
Cash--Fin. Act.	<u>245,000</u>
Net increase	\$ 30,000
Beg. cash	<u>80,000</u>
End. cash	<u><u>\$ 110,000</u></u>

Balance Sheet 12/31/21

Cash	\$ 80,000
Other	<u>4,550,000</u>
Total	<u><u>\$4,630,000</u></u>
Liabilities	\$2,970,000
Cap. stock	900,000
R/E	<u>760,000</u>
Total	<u><u>\$4,630,000</u></u>

Income Statement

Revenues	\$12,443,000
Expenses	<u>11,578,400</u>
Net income	<u><u>\$ 864,600</u></u>

Stmt of Retained Earnings

R/E 12/31/10	\$ 760,000
Net income	864,600
Dividends	<u>(400,000)</u>
R/E 12/31/11	<u><u>\$1,224,600</u></u>

Balance Sheet 12/31/22

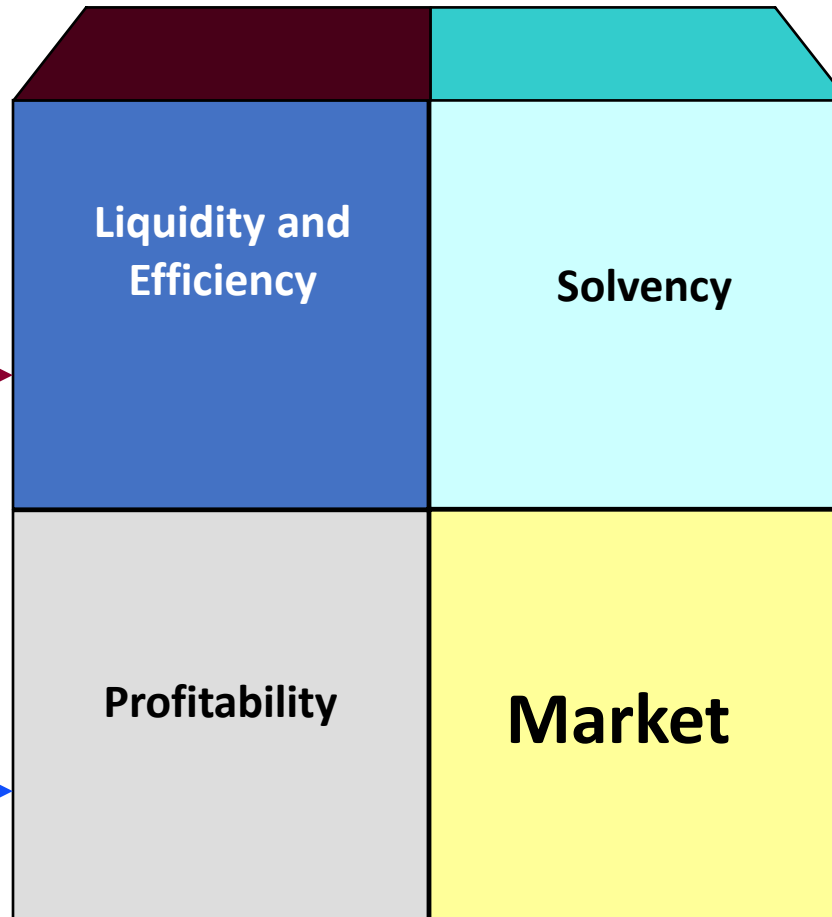
Cash	\$ 110,000
Other	<u>4,975,000</u>
Total	<u><u>\$5,085,000</u></u>
Liabilities	\$2,860,400
Cap. stock	1,000,000
R/E	<u>1,224,600</u>
Total	<u><u>\$5,085,000</u></u>

Building Blocks of Analysis

Ability to meet short-term obligations and to efficiently generate revenues



Ability to provide financial rewards sufficient to attract and retain financing



Ability to generate future revenues and meet long-term obligations



Ability to generate positive market expectations



In Summary

These financial statements are interconnected:

- The income statement provides information about a company's profitability.
- The statement of retained earnings explains how profits are retained or distributed.
- The balance sheet offers a snapshot of a company's financial position.
- The cash flow statement tracks the movement of cash within the business.

Any questions.....?

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Best of luck finishing the assignment

If you have any questions in the meantime,
please send an email from your student
account

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Enjoy the Break!

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