

BMIH5007

Financial Management

Module Introduction & Financial Terminology

HOSPITALITY
AND
TOURISM
MANAGEMENT

*Man Geni Addysg Uwch yng Nghymru
Where Higher Education Began in Wales*



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Before we start

As there are quite a few of us here, please ensure that your microphone is muted during all teaching until you are asked a question or there is a group discussion to prevent background noise.

You should attend every class and have a private space to work so that you can concentrate fully on the lesson.

You should not be at work, shopping, driving or caring for children.

Your camera must be always on during lectures please. -Use the Teams university background to protect your privacy.

YOU must join via a laptop or PC/MAC –No attendance permitted on phones or tablets

You will be removed from the session and logged as absent if you fail to adhere to these criteria.

This and all sessions will be recorded so that you can watch it again

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Why is this important?

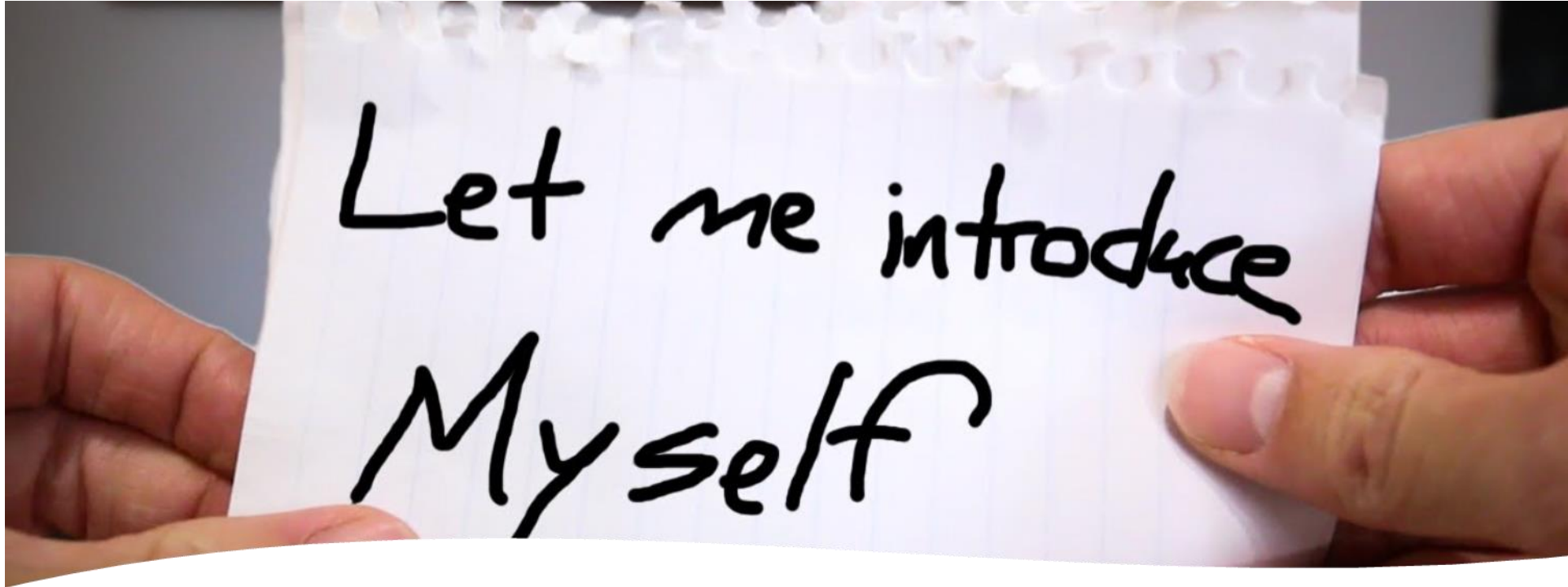
- This is a Full Time University course and as such the University definitions of engagement and decorum apply as they would in a physical classroom.
- Your Cameras must remain 'On' for the duration of the session in order to ensure equal engagement and for your lecturers to observe your full attendance of the session which is a condition for student loans/maintenance to be authorised.
- You should be using a **desktop or laptop device** with a camera, speakers and a microphone so that you will be able to engage in the session on equal footing with your classmates.
- You will be asked to share your screen and "present" your work, access documents, engage in writing activities use websites and create presentations which are either difficult or impossible on a phone.

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Aims for today

- For you to learn about me as your Module Tutor.
- Review of Assessments
- Introduction to Financial Terminology used within Hospitality
- Recognising your marketplace- Limiting factors, constraints and opportunities



Introductions...

Module Leader:
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Aims of the module

1. To develop a critical understanding of the principles of financial management, and concepts and applications of financial and management accounting within the hotel industry
2. To encourage and develop the student's ability to interpret key financial information for budgeting, performance measurement, and evaluation techniques

Learning outcomes (LOs) of the module

Upon the successful completion of this module, the student should be able to demonstrate the ability to...

1. Critically analyse and evaluate the informational requirements of management, particularly in relation to decisions involving revenues, costs and other financial criteria using appropriate methods and techniques
2. Demonstrate a critical understanding of how to monitor and evaluate financial performance within the Hotel Industry

Finance

- Why would hotel management students need to know about finance?

Assessment

Assessment 1 - 50%

Due **10th May 23.59pm**

A report critically analysing and comparing the financial performance Two Hotel groups, the report will examine financial factors such as total revenue, costs, market position, growth and sustainability, discussing standard practices and approaches with reference to evidence and contemporary examples.

Make recommendations based upon your findings for each organisation (at least one recommendation for each company)

Assessment

Assessment 2 - 50%

Due **6th June 23.59pm**

Case Study: Urban Heights Hotel

Scope and Objectives: The primary objectives of this assessment are to:

- Analyse the hotels financial performance over the past three years.
- Identify the key reasons behind the decline in profitability.
- Develop (if possible) a comprehensive turnaround strategy to revitalize the resort's financial health and restore its reputation as a premier vacation destination or most viable financial outcomes.

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

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

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HOSPITALITY AND TOURISM MANAGEMENT

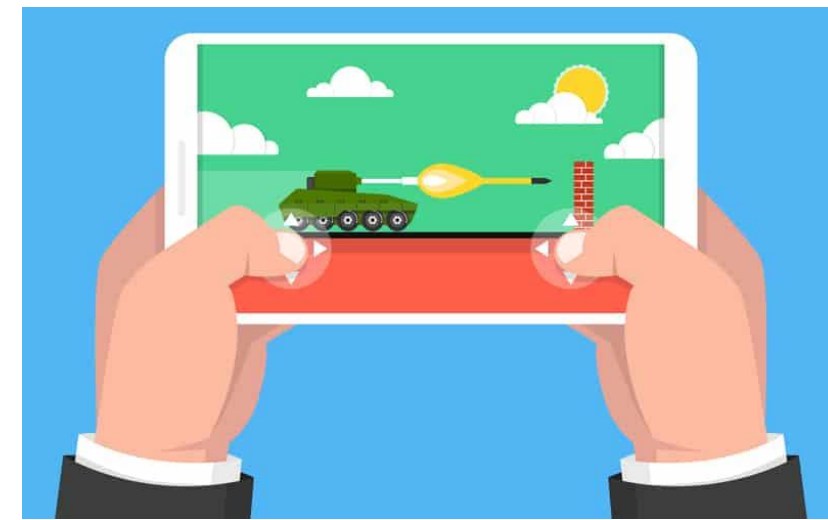
Lets play a game-

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.

- [Assets versus Liabilities versus Equity - Group sort \(wordwall.net\)](https://www.wordwall.net)



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.

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.



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

Cash

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

Drawings

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

Liquidity

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

Income Statement/ Profit & Loss account

An analysis of income and expenditure which includes:

- Turnover (All income)
- Staff expenditure (salary payments)
- Non-pay costs (any expenditure other than pay e.g. printing, stationery, telephone bills etc..)
- Gross profit - profit after cost of goods sold
- Net profit – Profit after all deductions and costs



Income Statement

[ˈɪn-,kəm ˈstāt-mənt]

One of the three important financial statements used for reporting a company's financial performance over a specific accounting period, with the other two key statements being the balance sheet and the statement of cash flows.

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.

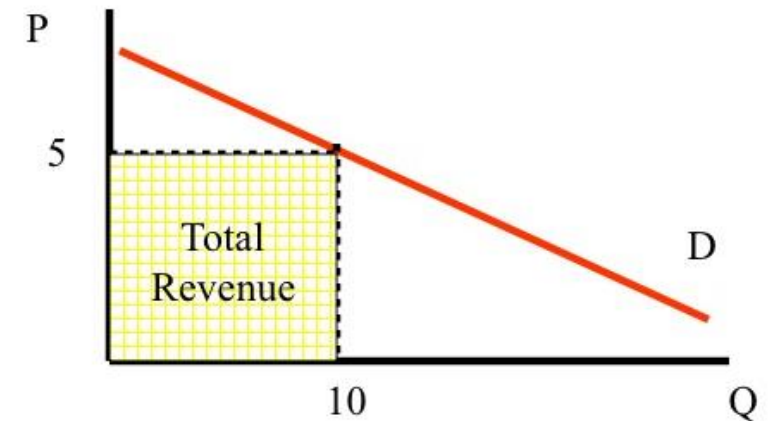
You can find total revenue on the top line of your income statement. It shows your business's total revenue during a specific accounting period — this can be a month, quarter, or even a year. When a company has "top-line growth," it's seeing an uptick in sales or revenues.



Total Revenue

- 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.

$$\text{Price} \times \text{Quantity} = \text{Total Revenue}$$
$$5 \times 10 = 50$$



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
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

Some basic finance and accounting terms - 2

Term	Brief explanation
Finance charge	Interest charged
Inventory	Stocks of goods and materials
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, such as rent or telephone
Profit	Excess of income over expenditure. There are many types of profit
Revenue	Money amount of sales
Turnover	Money amount of sales
Working capital	Current assets less current liabilities

Market Positioning

Market Positioning refers to the ability to influence consumer perception regarding a brand or product relative to competitors.

The objective of market positioning is to establish the image or identity of a brand or product so that consumers perceive it in a certain way.

Segment by Ave. Rates	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy
Marriott Group (USA)	BVLGARI HOTELS & RESORTS THE RITZ-CARLTON® JW MARRIOTT	RENAISSANCE® HOTELS MARRIOTT	COURTYARD® Residence Inn® SPRINGHILL SUITES®	FAIRFIELD INN & SUITES® TownePlace SUITES®		
Hilton World-wide (USA)	WALDORF ASTORIA® CONRAD HOTELS & RESORTS®	Hilton HOTELS & RESORTS EMBASSY SUITES®	DOUBLETREE BY HILTON Hilton Garden Inn HOMEWOOD SUITES BY HILTON	Hampton HOME2		
Accor Group (France)	SOFITEL COMFORT HOTELS	pullman HOTELS AND RESORTS	Mercure HOTELS NOVOTEL	adagio aparthotel	ibis	hotelF1

Financial Management discussion

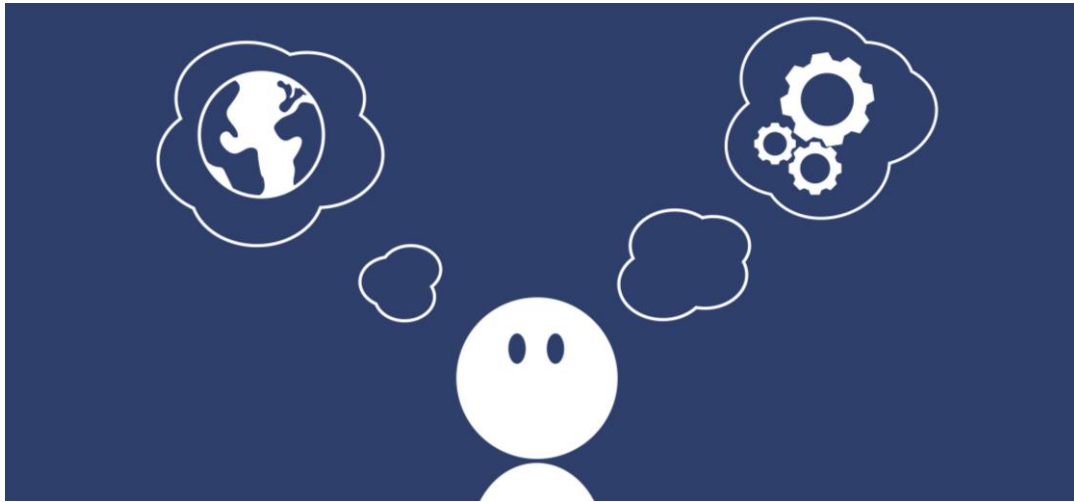
- What should be the goal of an organisation?



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*

Should organisations be responsible for:



- **Green issues? -**
Reducing pollution below legal standards if competitors aren't?
Energy conservation?
- **Products?**
Danger arising from the careless use of product by consumers?
McDonalds coffee case?
Alcohol consumption?
- **Markets and Marketing?**
Deciding not to sell in some markets?
Exaggerated/false claims use of misleading information, Targeting

CSR

- **Corporate social responsibility (CSR)** is a broad business concept. It usually describes a company's commitment to carry out their business in an ethical way.
- This means managing their business processes while taking account of their social, economic and environmental impact, and considering human rights.

Modern Business Sustainability

- John Elkington (1994)- is a seminal author on corporate responsibility and sustainable capitalism and development and entrepreneur.

Coined the term “Triple bottom line” to highlight the understanding of the impact that stakeholders profit and environment have upon an organisations long term business viability.

People – Stakeholders, Human capital, working environment.

Planet – Environmental, Eco capitalism, Footprint,

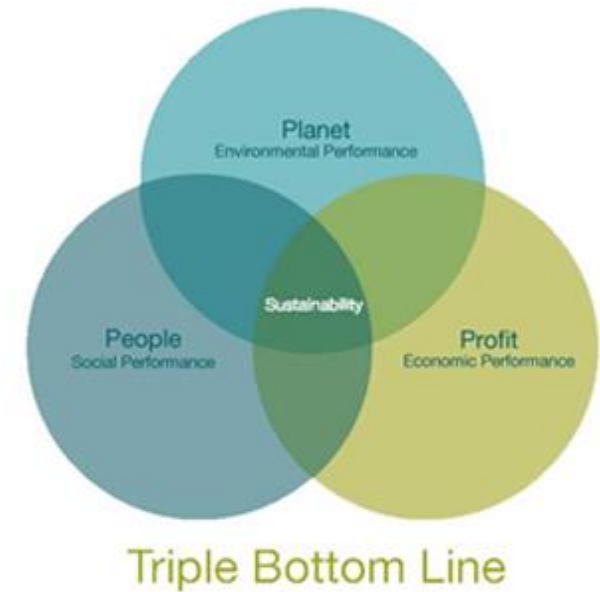
Profit – Economic value, Competitive advantage (Social benefit?)

Criticisms.... Difficult to apply practically

Metrics (Greenwashing/Whitewashing)



Towards the Sustainable Corporation (1994)





Contributing to educational and social programmes



Employee volunteering



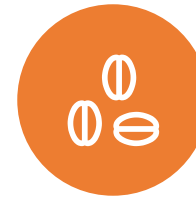
Socially responsible investment



Development of employee and community relations



Environmental management, eg waste reduction and sustainability



Responsible sourcing, eg using only fair trade ingredients



Improvement of working standards and conditions

Ethical & Governance issues

- Is it ethical for tobacco companies to sell a product that is known to be addictive and a danger to the health of the user? Is it relevant that the product is legal?
- Should boards of directors consider only price when faced with a buyout offer?
- Is it ethical to concentrate only on shareholder wealth, or should stakeholders as a whole be considered?
- Should firms be penalized for attempting to improve returns by stifling competition (e.g., Microsoft)?

I look forward to seeing you next week.

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

t.hawkins@uwtsd.ac.uk

Next week.....

Supply, Demand & Pricing Position.

Please have a look at the material on
Moodle, which will be made available
this Friday.



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