

BMIH5013 Financial Management for the Hotel Sector

Cost Behaviour Assessment One Support

Register



Recap-What did we learn last week?

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- Characteristics of the hotel and hospitality industry
- Role of Finance Manager and Finance Team

Question

- Why is it important for hotel companies to consider the unique characteristics of the hospitality industry?
- What is the role of a finance manager in a hotel company, and what are their primary responsibilities?

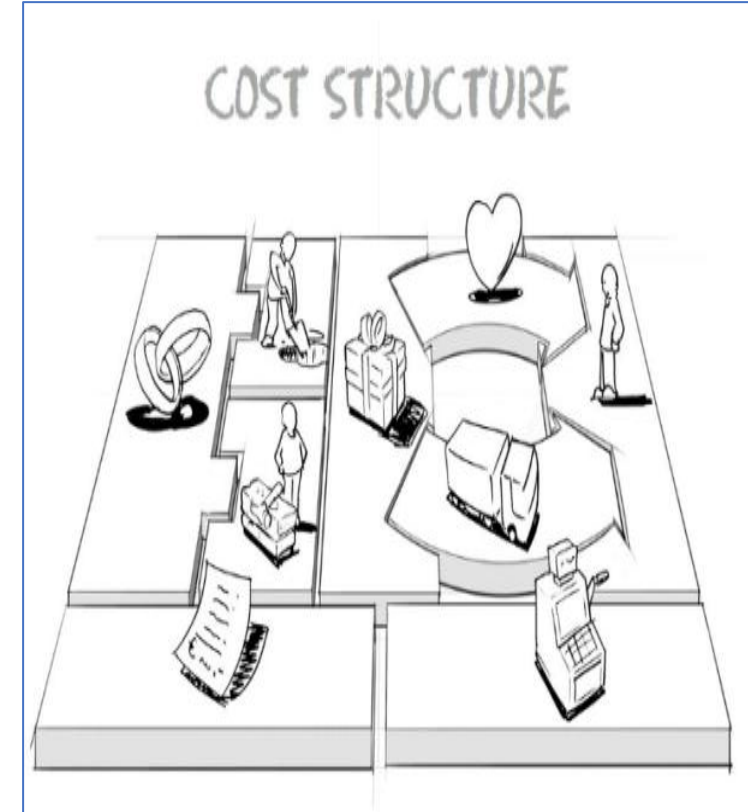
Today's Objectives

1. Discuss cost structure and its importance
2. Assessment One Support

Costs structure

- “The Cost Structure describes all costs incurred to operate a business model”
 - Creating and delivering value
 - Maintaining Customer Relationships
 - Generating Revenue
- Links to
 - Key Resources
 - Key Activities
 - Key Partnerships

Osterwalder and Pigneur, 2010



Cost Structure

Why should hospitality and tourism managers pay attention to their organisation's cost structure?

Cost Structure

- Understanding your cost is important for running a profitable business. A proper understanding of cost is needed to make some investment decisions, pricing decisions, deciding when to keep a product, keeping track of your overall business opportunity among many other things.
- Keeping track of cost is critical to make strategic business decisions. So, in this lesson we going to cover foundational aspects of cost structure, also can be termed as cost analysis. This may be boring, but it is really important to master cost structure if you want to make solid business decisions.

Cost/Management accounting is:

- Optional, organisations do not have to use it (although most do in some form).
- Information may be approximate.
- More important to be timely than accurate.
- Can be produced for any segment of an organisation.
- There are no prescribed rules.
- Can be for periods in the past, present or future.
- Produced when required.
- Prepared for management.

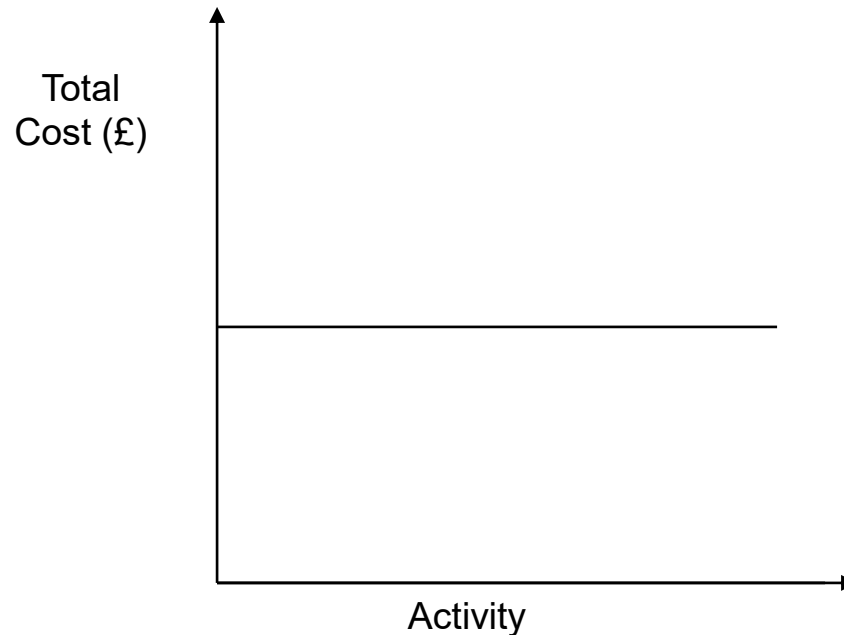
Cost Behaviour

If a business cost £750,000 to run last year, how much will it cost to run this year if business activity is forecast to increase by 25%?

Cost Behaviour

Fixed Cost

This type of cost is incurred for a period and within certain output limits tends to be unaffected by fluctuations in the level of output.

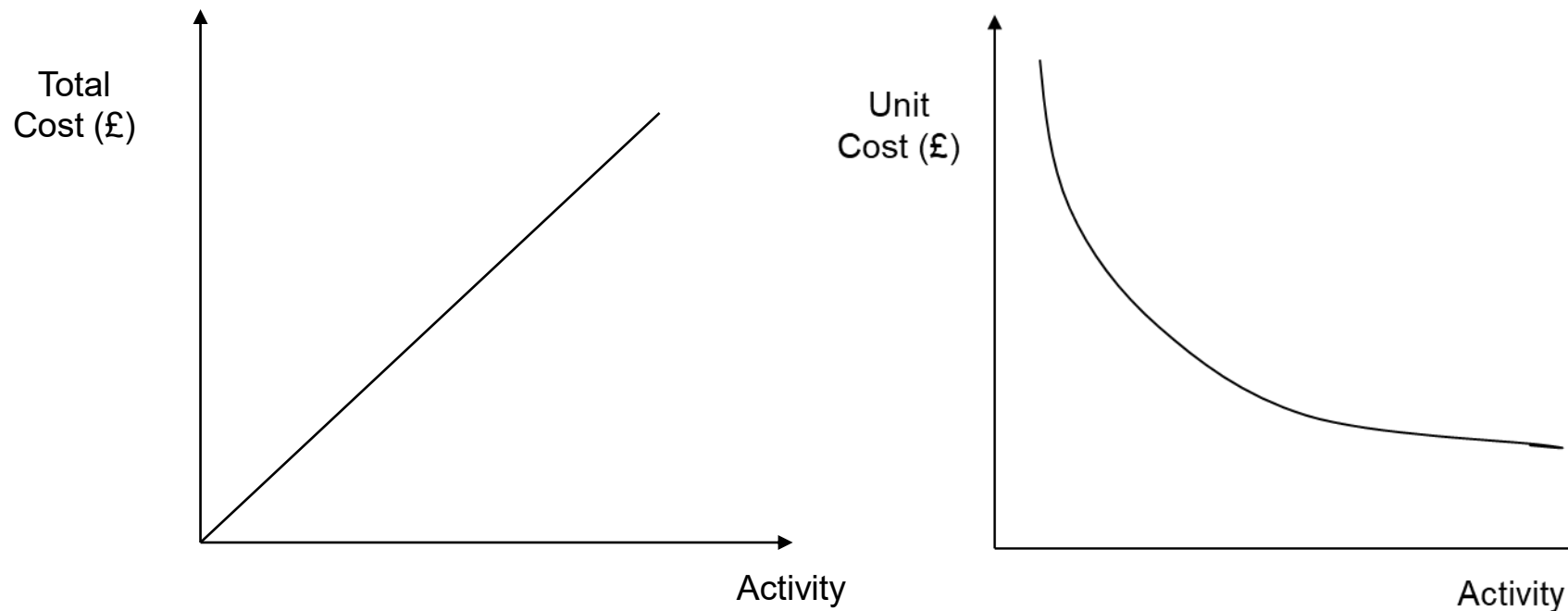


- Fixed Costs are sometimes known as capacity cost, since they result from outlays made for buildings, equipment, skilled professional employees and other items needed

Cost Behaviour

Variable Cost

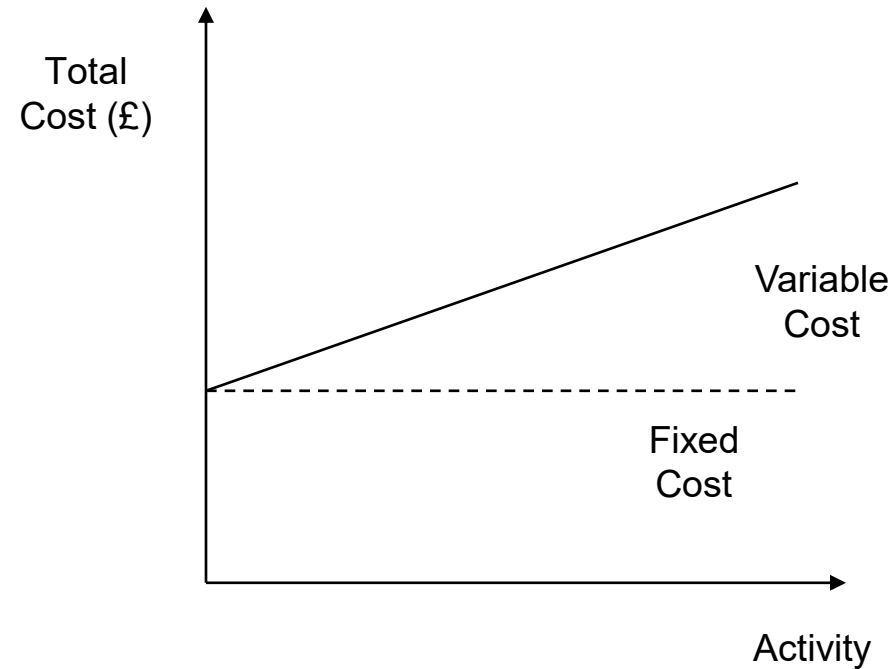
A cost which varies with the level of activity – the more that is produced the higher the cost.



Cost Behaviour

Semi Variable

A cost which has both a fixed and variable element.

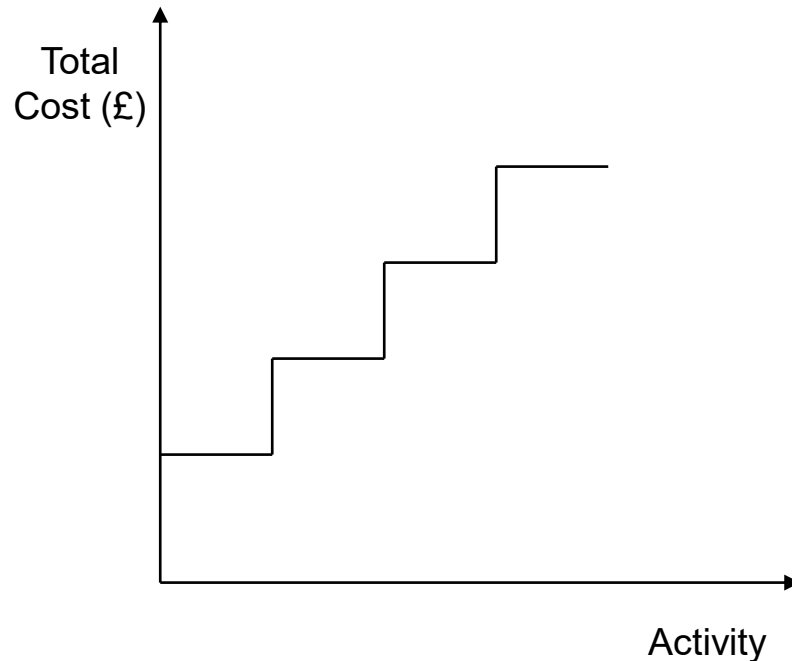


Cost Behaviour

Stepped Cost

A cost which is fixed for a particular range of activity levels, but once the upper limit of that range is passed a new higher level of fixed cost is incurred.

The engaging of resting/hibernating resources



Group Activity

Classify the following examples as either Variable Costs or Fixed Costs: raw materials expenses, sales commissions, direct labour costs, insurance, employee salary, and rent.

Which of these hotels is likely to be a riskier investment?

	Hotel A	Hotel B
Revenue	£600,000	£600,000
(-) Variable Costs	£390,000	£320, 000
(-) Fixed Costs	£60,000	£90, 000
Operating Income	£150,000	£190,000
(-) Interest	£10,000	£50,000
Net Income	£140,000	£140,000

Which of these hotels is likely to be a riskier investment?

	Hotel A	Hotel B
Number of Units Produced	£60,000	£60,000
Price per unit	£10	£10
Variable costs per unit	£6	£5
Fixed Operating costs	£60,000	£90,000
Fixed Financing costs	£10,000	£50,000



Assessment

Assessment 1

Due **Wednesday 19th November 23.59pm**

Analysis of Financial Reports to Assess Business Performance

A comprehensive report that critically appraises Marriott International financial performance over the last three years, the report will examine financial factors such as total revenue, market position, and growth potential with reference to evidence and contemporary examples.

Make recommendations based upon your findings for Marriot International expansion into emerging markets in 2026.

Assessment One (1)

Please note:

Include Title Page

Include Executive Summary

Acknowledgement/declaration on AI use or not

Headings and sub-headings

Use current data

Avoid descriptive writing

Engage literature

Apply theories and models

Use correct in text citation and academic referencing

Check Turnitin similarity

Assessment One(1)

First Page

- Module code and name
- Student name
- Student ID number
- Lecturer's name
- Acknowledgement (Provide a brief and clear statement acknowledging the use of AI (specify the type and version) in the assessment. If no AI was used, still make a declaration to that effect).



Second page...

- Assessment title
- Executive Summary (brief and clear overview)
- Introduction
- Body
- Recommendations
- Conclusion
- References etc



Announcement

Mid-Semester Break: Monday 27th - Friday 31st October 2025

Next Lecture: Tuesday 4th November 2025-Introduction to Budgeting and Working Capital Management

I look forward to seeing you on Tuesday
3rd November 2025.

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

e.wavei@uwtsd.ac.uk

Next week.....

**MID-SEMESTER BREAK (27th
October)**

Please have a look at the Module
Handbook on Moodle.

Check your assessment similarity.

Make sure that you submit
Assessment One by

Wednesday 19th November
23.59pm