

Scenario

The questions in this paper are based on the following scenario.

You should read this scenario carefully before you start to answer the questions.

Viola Hotels Ltd



Viola Hotels Ltd owns three hotels. These hotels are popular with tourists, and with business people. People who use the hotels are called **guests**.

Each hotel is named after the city where it is located:

- *Bristol Viola* hotel
- *Cardiff Viola* hotel
- *Newport Viola* hotel.

Luke Hamilton is the Managing Director for the three hotels. Luke has noticed that many hotels have their own leisure centre for use by guests, and by local people who join a membership scheme. Luke has decided to build a new leisure centre at the *Cardiff Viola* hotel.

Dav Reynolds works in the Finance Department of *Viola Hotels Ltd*. Dav is your friend and often asks you for advice.



Leave
blank

1. *Viola Hotels Ltd* uses these methods to pay for its goods and services.

Cash	Cheque	Debit Card	Direct Debit
------	--------	------------	--------------

Select from above the **most appropriate** payment method for (a) to (d). A payment method may be used more than once.

(a) Payment of Business Rates for *Bristol Viola* hotel. This payment is for a year's business rates but is paid in monthly instalments. It must be paid every month or the hotel will have to pay extra.

.....
(1)

(b) Fran, an employee at *Cardiff Viola* hotel, has to go to the local Post Office to buy two first-class stamps.

.....
(1)

(c) *Newport Viola* hotel has bought new sheets for guest bedrooms. The supplier expects to receive payment through the post.

.....
(1)

(d) Flowers for a wedding to be held at *Newport Viola* have been ordered over the telephone. When ordering, a £100 deposit had to be paid immediately.

.....
(1)

(Total 4 marks)

Q1



Leave blank

2. *Viola Hotels Ltd* has a new computerised accounting system. The new system is different from the old manual system. *Viola Hotels Ltd* has paid for the costs of buying and installing the new system.

(a) Name **one other** cost that *Viola Hotels Ltd* is likely to pay, now that it has this new computerised accounting system.

.....

(1)

(b) What are **two** advantages to *Viola Hotels Ltd* of having a computerised accounting system rather than a manual one?

Advantage 1

.....

.....

.....

Advantage 2

.....

.....

.....

(4)

Q2

(Total 5 marks)



Leave blank

3. The three *Viola* hotels issue and receive business documents. A Credit Note received by *Newport Viola* from a supplier, *Hulbert Ltd*, is shown below.

Hulbert Ltd Bentley Road Walsall West Midlands WS6 4GA		Credit Note	
To: Stores Manager Newport Viola Hotel Corporation Street Newport NP1 7GH		Number	12775
		Date	29.12.2006
		Your Reference	PO 9087
		Our Invoice	SI 06-7781
Quantity	Description	Unit Price (£)	Total Price (£)
2	Crockery sets	11.20	22.40
1	Crockery stand	5.60	5.60
Reason for credit: Damaged in transit		GOODS TOTAL	28.00
		VAT at 17.5%	0.49
		TOTAL	28.49

- (a) What is the purpose of **this** Credit Note?

.....

.....

(1)

The Credit Note contains a calculation error.

- (b) (i) What calculation error has been made?

.....

.....

(1)



Leave
blank

(ii) What should the correct Total be for the Credit Note?

£

(1)

Space for your working

(iii) If staff at *Newport Viola* do **not** spot this error, what will be the effect on *Newport Viola*?

.....

.....

(1)

Tony Luca, a businessman employed by *Roy Coster Ltd*, recently stayed at *Cardiff Viola*. Details of Tony's stay are as follows:

- two nights' accommodation at the weekday rate of £45.50 per night
- one night's accommodation at the weekend rate of £40.50 per night
- two evening meals at £12.40 each
- drinks totalling £6.10.

The Invoice for his stay is to be sent to *Roy Coster Ltd*, at Frey House, Sebastian Street, Howton, SD12 5TR. The last Invoice issued by *Viola Hotels Ltd* was number 45211. Use today's date.

(c) Using this information, complete the Invoice opposite.

(7)



Leave blank

INVOICE

Viola Hotels Ltd: Cardiff Viola

Centenary Square

Cardiff

CF2 4DL

Tel: 029 20 365365

VAT Reg No. 112 4882 65

Date: _____

Invoice
Number: _____

Invoice to:
.....
.....
.....
.....
.....

Name of Guest: _____ Date of stay: 18 – 21 December 2006

Number of nights	Rate per night (£)	Total (£)
Total accommodation cost		
Meals		
Drinks		
Other items		
Sub Total		
VAT at 17.5%		
TOTAL TO PAY		

Q3

(Total 11 marks)



4. Part of Dav's job is to prepare the Cash Flow Forecast for each *Viola* hotel. Dav has already entered some information in the latest Cash Flow Forecast for *Bristol Viola*. The additional information needed to complete this Forecast is as follows.

- Payments for staff salaries are expected to total £160 000 each month.
- Maintaining the buildings and equipment is planned to cost £35 000 each month.
- Light, heat and power for the hotel is expected to cost £40 000 in March and April. This figure is expected to fall by £5 000 in May.
- Receipts from the bar and restaurant, and the cost of this food and drink, are expected to be:

	<u>Money in</u>	<u>Money out</u>
March	£60 000	£42 000
April	£64 000	£44 000
May	£68 000	£46 000

- Other receipts are expected to be £5 000 in each month, and other payments are expected to be £47 500 in each month.
- In April, *Bristol Viola* will pay £40 000 for new kitchen equipment.

Complete the Cash Flow Forecast on page 9 for *Bristol Viola* for the three months March to May 2007.



Leave
blank

Cash Flow Forecast for *Bristol Viola*, March–May 2007.

2007	March (£)	April (£)	May (£)
Inflow (Receipts)			
Receipts from rooms	255 000	285 000	295 000
Total Receipts			
Outflow (Payments)			
Total Payments			
Net Inflow / Outflow			
Opening Balance	4 800		
Closing Balance			

(Total 11 marks)

Q4



5. Every week Dav in the Finance Department receives an email from the Manager of each *Viola* hotel. These emails contain information about the hotel's sales and costs. Dav uses this information to calculate the weekly profit or loss made by each hotel.

Dav has received the following email from the Manager of the *Newport Viola* Hotel for the week commencing 1 January 2007.

Dav, here are our figures for week beginning 1 Jan. Best wishes, Gabe.

Income received from:		
single rooms		£14 250
double rooms		£65 500
Bar sales:		£12 600
Restaurant sales:		£13 800
Maintenance costs:		£8 000
Staff salary costs:		£32 750
Cost of food and drink:		£13 500
Light and heat costs:		£11 330
Other costs:		£2 770

- (a) Use this information to complete the Profit and Loss summary for *Newport Viola*.

Profit and Loss summary for *Newport Viola* for 1–7 January 2007

	£	£
Sales		
Cost of sales (food and drink)		13 500
Gross Profit		
Expenses:		
Total Expenses:		

(8)



Leave blank

Dav has now received a second email, shown below, from the Manager of the *Newport Viola*.

Sorry Dav, I've just noticed that I keyed in the **WRONG** amount for the staff salaries. They should be £32 570 and not £32 750. Please alter your figures. Sorry again. Gabe.

Dav has now made this change to the Profit and Loss summary. **Note: do NOT change figures in your Profit and Loss summary.**

(b) State whether Dav's Profit and Loss summary will now show a **higher** or **lower** profit figure, and by how much.

.....
.....

(1)

Dav uses a computer spreadsheet to construct the Profit and Loss summaries for the three hotels.

(c) What is the advantage to Dav of using a spreadsheet now that a change has to be made to the information from *Newport Viola*?

.....
.....
.....
.....

(2)

Q5

(Total 11 marks)



Leave blank

6. The Balance Sheet for *Viola Hotels Ltd* includes the following items:

- A furniture in the reception areas
- B stock of food and drinks
- C debts owed by *Viola Hotels Ltd* to the suppliers of food and drinks
- D kitchen ovens and microwaves
- E guests' cash deposited in the hotel safes
- F shares issued to shareholders
- G computers used by hotel staff.

(a) List the items in A–G above as either **current assets**, **fixed assets** or **liabilities** in the correct column below. The first one has been done for you.

- A **Fixed asset**
- B
- C
- D
- E
- F
- G

(6)

(b) (i) Using **only** the information in A–G at the top of this page, name **one start-up cost** and **one running cost**.

Start-up cost

Running cost

(2)

(ii) For each cost named, state why it is either a start-up or a running cost.

Start-up cost

.....

Running cost.....

.....

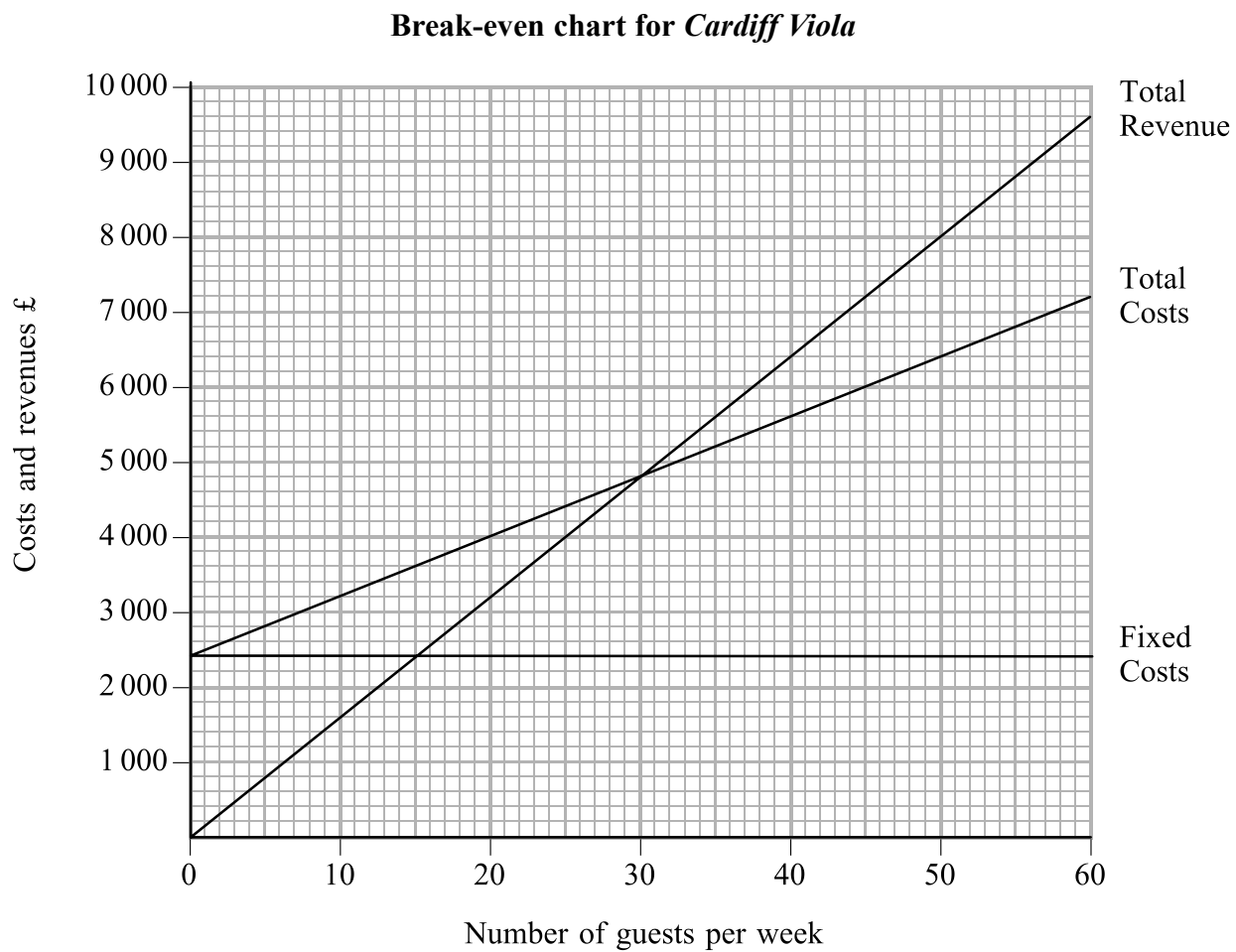
(2)

Q6

(Total 10 marks)



7. Dav has drawn up the following Break-even chart for *Cardiff Viola*. It is based on the average revenue in one week from each guest.



(a) (i) How many guests a week does *Cardiff Viola* need in order to break even?

..... (1)

(ii) What is the total revenue for *Cardiff Viola* if it has 55 guests in a week?

£ (1)

(iii) State the amount of profit or loss if *Cardiff Viola* has 40 guests in a week. (State clearly if it is a profit or a loss.)

£ (1)

(iv) What is the average revenue from each guest at *Cardiff Viola*?

..... (1)



Leave blank

The cost of cleaning materials used in the hotels depends on the number of guests who stay.

(b) State, with a reason, whether the cost of cleaning materials is a **fixed** cost or a **variable** cost.

.....
.....
.....

(2)

Dav has been told that cleaners at *Cardiff Viola* will shortly receive a pay rise.

(c) Discuss how this pay rise will change the break-even chart's:

- Total Revenue line
- Total Costs line
- Break-even point.

Total Revenue **line**

.....
.....
.....

(2)

Total Costs **line**

.....
.....
.....

(2)

Break-even point

.....
.....
.....

(2)

(Total 12 marks)

Q7



Leave
blank

Questions 8, 9 and 10 are based on the planned new leisure centre to be built at the *Cardiff Viola* hotel.

8. The new leisure centre at *Cardiff Viola* will advertise for local members to join. These members will have to pay a membership fee. Deano wants to join the new leisure centre. He will pay the monthly fee by direct debit.

(a) Describe briefly how Deano will set up the direct debit.

.....
.....
.....
.....
.....

(2)

The monthly membership fee can be paid either by debit card, credit card or direct debit. *Cardiff Viola* has a policy of **not** accepting cash as a method of payment for the membership fee.

(b) Discuss **one** advantage and **one** disadvantage to *Cardiff Viola* from having this policy of not accepting cash.

Advantage

.....
.....
.....

Disadvantage.....

.....
.....
.....

(4)

Q8

(Total 6 marks)



9. Luke Hamilton, the Managing Director of *Viola Hotels Ltd*, has set budgets for the new leisure centre. A summary of the Sales Budget for local members (local people who will join and pay a membership fee) is shown below.

Sales Budget for Cardiff Viola Leisure Centre, for the first three months

Month	Number of Members
April 2007	20
May 2007	30
June 2007	40

Luke plans to set a membership fee of £25 a month.

- (a) (i) How much revenue does Luke expect the new leisure centre to earn during its first three months?

£

(1)

- (ii) How can Luke use this Sales Budget to check the performance of the new leisure centre in its first three months?

.....

(2)

- (b) (i) Name **one other** budget that Luke will set for the new leisure centre.

.....

(1)

- (ii) Why is the budget you have named above a suitable one for **this** situation?

.....

(2)



Leave
blank

Luke has drawn up a Cash Flow Forecast for the new leisure centre.

(c) Why will the following be interested in the Cash Flow Forecast for the leisure centre?

(i) *Batigol and Co Ltd*, a business that hopes to supply, on credit, the exercise machines and other equipment that will be used in the leisure centre.

.....
.....
.....
.....
.....
.....
.....
.....

(3)

(ii) Sami Courtney, who owns shares in *Viola Hotels Ltd*.

.....
.....
.....
.....
.....
.....
.....
.....

(3)

(Total 12 marks)

Q9

--	--



Leave
blank

10. Luke knows that he will need to raise finance for the new leisure centre. Most of the finance will be needed to obtain a wide range of exercise and other sports and leisure equipment for the centre. This equipment includes:

- rowing exercise machines
- treadmills
- exercise bikes
- televisions
- a sound system.

Luke is looking at two options for raising the finance for this equipment.

Option 1

Viola Hotels Ltd uses profits from sales to buy all the equipment.

Option 2

All this equipment can either be hired or leased from *Donna Dell Ltd*.

Choose **one** of these options for the new leisure centre. Justify why *Viola Hotels Ltd* should choose this option.

Option chosen (**tick ONE box ONLY**): Profits

Hire or lease from *Donna Dell Ltd*

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....



Leave
blank

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Q10

(Total 8 marks)

TOTAL FOR PAPER: 90 MARKS

END



BLANK PAGE

