**Finance and Funding in Travel and Tourism**

**2000 WORDS**

**Unit content**

**1.Understand the importance of costs, volume and profit for management decision making in travel and tourism.**

**Costs**: direct costs, indirect costs, fixed costs, variable costs, allocation and apportionment

**Volume**: break-even analysis, economies of scale, diseconomies of scale.

**Profit**: pricing methods to achieve a profit (**e.g.)** cost-led, market-led, cost-plus pricing, contribution, absorption, marginal costing, top down, return on investment; reasons for making a profit, definition of profit, type of business;

**Factors influencing profit** (**e.g.**) seasonal variations, political environment, economic environment, social environment, current trends, bad debts, planning, staff.

**2. Understand the use of management accounting information as a decision-making tool in travel and tourism businesses.**

**Management accounting information**: financial statements, budgets, variance analysis, forecasts, MIS

**Decision-making tool**: comparison with trends, forecasting, investment, raising capital, new products and services, current issues, against set criteria **(e.g.)** profitability, solvency, meeting budgets, meeting objectives.

**3. Be able to interpret financial accounts to assist decision making in travel and tourism businesses.**

**Financial accounts**: methods used to interpret financial accounts **(e.g.)** cash flow statement, trading account, profit and loss account, balance sheet of a typical travel and tourism related business.

**Measure financial performance**: measure **(e.g.)** current ratio, acid test ratio, return on capital employed, capital gearing, return on net assets, debtors’ collection period, creditors’ payment period, ratio of administration costs to sales, net profit per cent, gross profit per cent, stock turnover ratio as practised by businesses in the travel and tourism sector.

**4. Understand sources and distribution of funding for public and non-public tourism development.**

**Sources**: Role of Department of Culture, Media and Sport **(e.g.)** National Lottery Commission; Office of Deputy Prime Minister **(e.g.)** European Social Fund, Regional Development Fund; sources and disbursement of funding through the Non-Governmental Public Bodies (NGPB).

**Capital projects**: projects **(e.g.)** Tourism Information Points, Interpretation Boards, small scale tourism/environmental improvement with associated interpretation, development of

small-scale heritage sites with interpretation and information, integrated footpath development and improvement, integrated bridleways development and improvement, cycle route development and improvement, provision of secure cycle storage, Pedestrian Fingerposts.

**Non-public funding:** funding **(e.g.)** debt funding, equity funding and government funding.

**ASSIGNMENT BRIEF**

**Scenario for TASK 1.**

**Carnival Corporation & plc**

You work as a trainee business adviser at Carnival plc London, England. You are working towards a career at the supervisory/management level in the travel and tourism sector and you are expected to exhibit a good understanding of financial systems and practices used in travel and tourism businesses. Carnival Corporation & plc, the world’s largest leisure travel company with a portfolio of cruise brands in North America, Europe and Australia. The company’s portfolio of 10 global cruise line brands include Carnival Cruise Line, Fathom, Holland America Line, Princess Cruises and Seabourn in North America; P&O Cruises (UK) and Cunard in Southampton, England; AIDA Cruises in Rostock, Germany; Costa Cruises in Genoa, Italy; and P&O Cruises (Australia) in Sydney. Additionally, Carnival Corporation owns a tour company that complements its cruise operations: Holland America Princess Alaska Tours which operates in Alaska and the Yukon. Headquartered in Miami, Florida, and London, England.

**You can read more at:** [**http://www.carnivalcorp.com**](http://www.carnivalcorp.com) **Here are all the information about the balance sheet and the in come statements. Needs to be done a comparation between 2016 and 2017.**

**You are required to carry out a research as specified in the assignment brief and use supportive materials like books, websites, etc., and produce a written report addressing 1.1,1.2, and 1.3 as specified below.**

**Answers without application to Carnival Corporation & plc cruise brands Will be Marked as a Resubmission!!!!!! So please DO NOT ignore this!**

**NOTE: Make sure that the 1.1, 1.2. and 1.3 are referring to Carnival Corporation & plc.!!!!!!**

**TASK 1.**

**LO1- Understand the importance of costs, volume and profit for management decision making in travel and tourism.**

**1*.*1Explain the importance of costs and volume in financial management of travel and tourism businesses using Carnival Corporation & plc as your case study**.

**1.2 Analyse pricing methods used in the travel and tourism sector. You should use relevant examples from different cruise brands of Carnival Corporation & plc.**

**1.3 Analyse factors influencing profit for travel and tourism businesses using Carnival Corporation & plc cruise brands as your case study.**

**Case study for TASK 2 and 3: Dalata Hotel Group plc**

**Dalata Hotel Group plc** is Ireland’s largest hotel operator, with a current portfolio of 38 three and four-star hotels with over 7,700 rooms. Dalata operates the Clayton and the Maldron Hotels across Ireland and the UK.

**TASK 2**

**Scenario for TASK 2:**

You work as a trainee business adviser for a management consulting firm focusing on travel and tourism businesses.

Your firm is organising a training event for non-financial managers

on the use of management accounting information as a decision-making tool in travel and tourism businesses and you have been asked by your line manager to create a **POSTER** to be given to those attending the event addressing **2.1** and **2.2.**

**LO2- Understand the use of management accounting information as a decision-making tool in travel and tourism businesses.**

**2.1. Explain different types of management accounting information that could be used in travel and tourism businesses using Dalata Hotel Group plc as your case study.**

**2.2**. **Assess the use of management accounting information as a decision-making tool for Dalata Hotel Group plc.**

**Task 3**

**SCENARIO FOR TASK 3:**

You work as a trainee business adviser for a management consulting firm focusing on travel and tourism businesses. You have been asked by your line manager to carry out a detailed

research using supportive materials like books, annual reports,

websites, financial sections of newspapers, trade magazines

etc., to present a **WRITTEN REPORT** **ON THE FINANCIAL PERFORMANCE OF DALATA HOTEL GROUP plc FOR THE YEAR ENDED 31st December 2017.**

**Answers without interpretation of Dalata Hotel Group plc**

**financial accounts will be marked as a resubmission.!!!!!**

You can access Dalata Hotel Group plc the annual report and accounts at <http://dalatahotelgroup.com>.

**NOTE: Make sure you write about Dalata Hotel Group plc.!!!!!**

**LO3. Be able to interpret financial accounts to assist decision making in travel and tourism businesses**

**3.1. Interpret financial accounts of Dalata Hotel Group plc for the year ended 31st December 2017showing at least two years performance (for example comparing 2017 to 2016).**

**Below are the formulas that need to be used to calculate the financial accounts for Dalata Hotel Group.**

Types of ratios

* Profitability or operating ratios
* Liquidity or short-term liquidity ratios
* Investment or investors ratios
* Gearing or medium and long term solvency ratios (Financing ratios)
* Working capital efficiency

***Profitability***

These are ratios which try to assess the profitability of the business. These are more conveniently expressed in percentage form and include

**The gross profit percentage**

Gross profit percentage = profit x 100

Sales

**Percentage change in sales**

Percentage growth in sales = sales this year – sales last year x 100

Sales last year

**Net profit as a percentage of sales**

Net profit x 100

Sales

**Return on capital employed (ROCE)**

* An enterprise needs to maximise the profits per £ of capital employed. Due to its importance, the ROCE is sometimes referred as primary ratio
* ROCE can be measured in a number of ways, but the most significant point is to relate the profit figure used to its capital base.

**Total capital employed in the business**

ROCE (1) = profit before interest and tax x 100

Share capital + reserves + long term liabilities

**Equity shareholders capital employed**

ROCE (2) profit before interest and tax x 100

Ordinary share capital + Reserves

The interest referred to is the interest payable on long-term liabilities.

Short term liquidity ratios

Current ratio (working capital ratio)

Current ratio = current assets

Current liabilities

Liquidity (or quick) ratio

Quick ratio = current assets - stock

Current liabilities

As conventional wisdom has that an ideal current ratio is 2:1 and an ideal quick ratio is 1:1. It is very tempting to draw definite conclusions from the limited information or say that current ratio should be 2 or that the liquid ratio should be 1. However, this is not very useful without taking into account the type of ratio expected in similar industry or business. Many enterprises manage on much lower ratios than this.

It should also be noted that a high current ratio is not necessarily a good thing. It may indicate that working capital is not being used efficiently.

Working capital efficiency ratios

**Inventory turnover ratio**

Stock turnover ratio = Cost of sales

Average stock level

Or

Inventory (stock) turnover in days = Average stock x 365 days

Cost of sales

**Receivable (Debtor) collection days**

Closing receivables x 365 days

Credit sales for the year

**Average period of credit allowed by suppliers**

Average period of credit = closing trade creditors x 365

Credit purchases per day

Or

Closing trade payables x 365

Credit purchases for the year / cost of sales

**The working capital or cash operating cycle**

The investment made in working capital is largely a function of sales and, therefore, it is useful to consider the problem in terms of working capital (cash operating) cycle.

It is possible to measure the length of working capital for a given firm:

Days

Inventory turnover period x

Average receivable collection period x

Average payable collection period (x)

Length of working capital cycle x

Financing ratios

Companies raise finance from various sources, some are riskier than others, its important to assess how the company is financed as it is crucial to the assessment of its stability and risk of its collapse. A company with the high loan as compared to equity capital is at greater risk than one with few or no loans because the interest on loans has to be paid regardless of whether a company makes a profit or not.

**Equity to assets ratio**

Equity capital + reserves x 100

Total assets – current liabilities

**Gearing ratio or leverage**

Gearing ratio = Loans + preference share capital

Total assets – current liabilities

A high gearing ratio means a low equity to assets ratio, and vice versa. High gearing, therefore, means that the company is exposed to the risk of collapse if profit levels fall.

**Debt to Equity ratio** =

Debt (long term loans and preference shares) / Ordinary share capital + reserves

**Interest cover**

Interest cover = Profit before interest and tax

Interest paid

Interest on loans has to be paid regardless of whether the company makes a profit or not. This ratio emphasises the number of times the interest is covered by profits. The higher the interests cover the more secure the interest and the loan.

Investor ratios

An investor in ordinary shares can look to:

The earnings of the company available to pay the ordinary dividend or to

The actual ordinary dividend paid as a measure of the income earned by the company for him.

He would be interested in the following ratios

|  |  |
| --- | --- |
| Dividends | Earnings |
| Dividends per share  Times covered (dividend cover)  Dividend yield | Earning per share  Price earnings ratio |

**Dividend per share**

Dividend per share = Dividend paid

Number of shares

**Dividend cover**

Dividend cover = Profits – Payment to preference shareholders

Dividend paid

Note that profits available for ordinary shareholders are after the deduction of the preference dividend. The cover represents the security for the ordinary dividend.

**Dividend yield**

Dividend yield = dividend per share x 100

Current share price

**Earning per share (EPS)**

EPS = Profits after tax and Preference dividends but before ordinary dividends

Number of equity shares in issue

**Price earnings ratio (P/E ratio)**

This is regarded as the most important ratio.

**Task 4**.

**LO4. Understand sources and distribution of funding for public and non-public tourism development.**

**Scenario:**

You work as a Junior Consultant with a management consulting firm advising different organisations on funding of capital projects associated with travel and tourism. The company prepares a range of **Leaflets** on different themes which are given to clients. You are required to carry out a research and use supportive materials like books, websites, and create **Leaflets** to analyse sources and distribution of funding for the development of capital projects associated with tourism etc. and give a feedback to the findings on **4.1**.

You should research a range of capital projects such as the Cross-Railway project, Tourism Information Point, small scale tourism/environmental improvement with associated interpretation, development of small scale, heritage sites with interpretation and information, integrated footpath development and improvement, integrated bridleways development and improvement, cycle route development and improvement, provision of secure cycle storage, and theme parks.

**4.1.** **Analyse sources and distribution of funding for the development of capital projects associated with tourism.**

**NOTE:**

* TASK 1 which includes 1.1, 1.2, and 1.3, is a WRITTEN REPORT and must be applied to Carnival Corporation & plc. (500 words).
* TASK 2 which includes 2.1 and 2.2., is a POSTER. (500 words).
* TASK 3 which includes just 3.1., is a WRITTEN REPORT ON THE FINANCIAL PERFORMANCE OF DALATA HOTEL GROUP plc FOR THE YEAR ENDED 31st DECEMBER 2017. (500 words).
* Task 4 which includes just 4.1., is a LEAFLET. (500 words).

Please read the first 2 pages about the **Unit Content** so you know what is required to do.

The font must be **ARIAL 12** and specify the tasks and the subtasks (e.g.) 1.1, 1.2., etc.

The referencing must be **HARVARD ANGLIA System**!!!!

The -in text citations- must be **Harvard Anglia** System too!!!

Make sure you put **Introduction and Conclusion** on each TASK!!!

I will also attach a file about **Academic Writing** and **REFERENCING in Harvard System** so please read it and do it as it says in there!!!