

Unit 4: Financial Control in Hospitality

Unit code:	H/601/0436
QCF Level 3:	BTEC National
Credit value:	10
Guided learning hours:	60

● Aim and purpose

The aim of this unit is to enable learners to gain an understanding of the principles of goods selection, costing and pricing, and the use of financial statements to measure hospitality business performance and gain skills to apply controlling and accounting methods for resources.

● Unit introduction

This unit will introduce learners to how physical resources within the hospitality industry are selected, controlled and accounted for. It will also introduce them to aspects of costing, pricing and operational finance procedures used in the day-to-day operation of hospitality businesses. Learners will examine basic concepts and procedures and learn to apply them in relevant industry scenarios. As future supervisors, learners will develop the knowledge and skills to interpret, understand and explain basic operational financial information used in the hospitality industry. This is an important part of operational requirements, encompassing key responsibilities in the hospitality industry, and this knowledge will be readily transferable across the industry.

Learners will explore fundamental principles relating to the ways that goods are selected and the criteria that need to be applied in order to make these decisions.

They will look at costing and pricing, including cost control systems, the relationship between costs, sales and selling price, and the effect of pricing on profit and loss.

Learners will have the opportunity to explore the ways that controlling and accounting methods are used in the hospitality industry. They will carry out calculations that show the path of materials from purchase, through storage and production, to sale of the finished product.

The need to measure performance is at the heart of business operations, and it is important for learners to appreciate how financial statements can be used as a tool for supervisors and management to evaluate effectiveness. Learners will gain an understanding of these issues and the ability to interpret the value of relevant financial reports in a hospitality business environment.

● Learning outcomes

On completion of this unit a learner should:

- 1 Understand the principles of goods selection in hospitality
- 2 Understand costing and pricing in hospitality
- 3 Be able to apply controlling and accounting methods for resources in hospitality
- 4 Understand the use of financial statements to measure hospitality business performance.

Unit content

1 Understand the principles of goods selection in hospitality

Selection: criteria eg specification, suitability for purpose, new/second-hand; price; financial constraints; availability; lead time; physical considerations (access, delivery, storage); upkeep (maintenance, replacement, service agreements); contracts, terms and conditions; quality of goods; use of appropriate communication

2 Understand costing and pricing in hospitality

Costing: cost control systems; categories of costs eg materials, labour, overheads, fixed, variable, direct, indirect, apportioned; costing of complex products eg accommodation packages, catering events; relationship between costs, sales and selling price; the effect of costing on profit and loss; comparing budgets with actual costs; cost allocation; appropriate formats; use of ICT

Pricing: cost-plus; mark-up; gross profit margin; market rate; full/marginal costing; discounts; subsidised pricing; service charges; VAT; pricing criteria/policy; effect of pricing on profit and loss

3 Be able to apply control and accounting methods for resources in hospitality

Controlling: specification; ordering methods and systems; issuing goods/resources; minimum stock levels; safety and security of storage; computerised/manual control systems; performance indicators eg sales mix, average spend, occupancy rates/levels; documentation (purchase order, delivery note, invoice, goods received note, credit note, goods returned note); efficient use of resources in order to achieve work objectives and minimise waste; organisational and legal requirements

Accounting: systems eg stock checks/valuation, bin cards, book, costed issue sheets; depreciation period; annual audit; calculating stock value eg First In First Out (FIFO), Last In First Out (LIFO); costed recipes; portion control; yields and standard costs; computerised/manual accounting system; accuracy; records and documentation

4 Understand the use of financial statements to measure hospitality business performance

Statements: operating statement; trading profit and loss account; balance sheet; cash flow statement; budget; sales statistics; sales forecast; food and beverage cost reports; wage reports

Purpose: to measure performance eg compare with forecasts, judge effectiveness of departments/management, highlight necessary changes; to provide information eg for owners, shareholders, managers, supervisors, banks; to satisfy statutory requirements eg tax reporting, company returns

Assessment and grading criteria

In order to pass this unit, the evidence that the learner presents for assessment needs to demonstrate that they can meet all the learning outcomes for the unit. The assessment criteria for a pass grade describe the level of achievement required to pass this unit.

Assessment and grading criteria		
To achieve a pass grade the evidence must show that the learner is able to:	To achieve a merit grade the evidence must show that, in addition to the pass criteria, the learner is able to:	To achieve a distinction grade the evidence must show that, in addition to the pass and merit criteria, the learner is able to:
P1 explain how the principles of goods selection are applied in hospitality operations [IE 1, 2, 3]	M1 analyse the ways in which the principles of goods selection can be applied differently across the hospitality industry	D1 assess the value of selection, costing and pricing procedures in the operation of hospitality businesses
P2 explain how costing and pricing procedures are applied in hospitality operations [IE 1, 2]	M2 compare different costing and pricing procedures using accurate calculations completed in industry accepted formats	
P3 apply control and accounting methods for resources in hospitality businesses [IE 1, 2]	M3 explain how control and accounting methods assist hospitality businesses, giving worked examples using standard conventions.	
P4 describe the purpose of financial statements P5 explain how financial statements are used in the operation of hospitality businesses. [IE 1, 2]		D2 evaluate the importance of financial statements and their use as a business aid.

PLTS: This summary references where applicable, in the square brackets, the elements of the personal, learning and thinking skills applicable in the pass criteria. It identifies opportunities for learners to demonstrate effective application of the referenced elements of the skills.

Key	IE – independent enquirers	RL – reflective learners	SM – self-managers
	CT – creative thinkers	TW – team workers	EP – effective participators

Essential guidance for tutors

Delivery

Learners will benefit from studying this unit at an early stage in the programme. The learning outcomes are not dependent on prior knowledge, but, as the unit develops, knowledge from other subject areas will help learners to appreciate the context in which this unit is applied. This unit focuses on the selection, control and accounting of resources for a range of hospitality operations. These resources include food and beverage commodities, small equipment and supplies, as well as fixtures and fittings.

Tutors will be required to provide current information and understanding of industry accepted procedures and operational finance reporting systems to learners. Although it is useful to focus on sectors of the industry with which learners are familiar, a broad approach is important and learners should be exposed to accounting information based on large businesses. Visits to a range of hospitality businesses would help learners to develop an awareness of a wide range of resources and the criteria, sources and options used to purchase, control and account for them. Learners would also benefit from understanding the systems used in the catering department within their own learning environment.

Learners should not be expected to construct financial documents such as a profit and loss account or a balance sheet, but it is important to their future supervisory roles in the hospitality industry that they are able to interpret and understand a range of financial reports and documents. The delivery of the unit may require the development of research skills. This would need to focus on sources of information, collating, selecting and analysing information.

It is important for learners to develop practical skills in identifying and completing records for the control and accounting of resources. Work placements, if available, can give learners first-hand experience of purchasing and control processes for a range of resources. In agreement with their work experience providers, learners should be encouraged to take part in practical tasks to develop their understanding of purchasing, control and accounting for resources.

The application of evaluation techniques and criteria will also make a valuable contribution to the learner's future role as a supervisor in the hospitality industry. Development of numeracy competence is an integral component of the unit, and learners should be encouraged to estimate and check results without the use of calculators.

The delivery of this unit could be integrated with *Unit 9: Food Service Organisation* or *Unit 16: Hospitality Business Enterprise*.

Outline learning plan

The outline learning plan has been included in this unit as guidance and can be used in conjunction with the programme of suggested assignments.

The outline learning plan demonstrates one way in planning the delivery and assessment of this unit.

Topic and suggested assignments/activities and/assessment
Introduction to the unit and the programme of learning and assessment.
Group discussion about the principles of goods selection in hospitality. Tutor explanation of key terms.
Visit to a hospitality business to develop an awareness of a wide range of resources and the criteria, sources and options used to purchase, control and account for them.
Tutor-led discussion on legal aspects of goods selection, including contracts and related issues.
Assignment 1 – Principles of Goods Selection in Hospitality (P1, M1, D1)
Learners produce a booklet raising awareness about principles of goods selection in hospitality based on visit.
Learners interview a small scale employer to find out how they apply costing and pricing procedures.
Learners interview an SME or large national or multi-national employer to find out how they apply costing and pricing procedures.
Learners compare different costing and pricing procedures using accurate calculations completed in industry accepted formats.
Assignment 2 – Costing and Pricing in Hospitality (P2, M2)
Learners produce a booklet raising awareness about costing and pricing in hospitality.
Tutor-led discussion on accounting and economic concepts of income and value; current purchasing power accounting; current value accounting; and current cost accounting.
Learners do exercise in applying control and accounting methods for resources in hospitality businesses.
Assignment 3 – Control and Accounting Methods for Resources in Hospitality (P3, M3)
Learners do a presentation on controlling and accounting methods for resources in hospitality.
Tutor-led discussion on funds and cash flow statements – purpose, nature and relationship to budgets; inflows and outflows; sources and use of funds; cash flow versus profit reporting; the link to budget plans. Learners undertake practical exercises involving analysis and feedback.
Tutor input; source accounting documentation, analysis of operating statements including trading, profit and loss accounts; balance analysis including ratio analysis. Learners do practical exercises.
Assignment 4 – Use of Financial Statements to Measure Business Performance (P4, P5, D2)
Learners do a presentation on the use of financial statements to measure business performance.
Tutorial support and feedback.
Self-initiated learning time.

Assessment

The sub-headings in this section mirror the funnelling opportunities in the grading grid. They suggest how assessment can be grouped to allow learners to progress to the higher grades; however, they are not prescriptive.

P1 – M1 – D1

Evidence for P1 will focus on at least three types of business from different parts of the hospitality industry, eg a fast food business, a small family restaurant, and a hotel. The evidence will focus on the goods that are bought and how the selection criteria influence decisions on issues such as quality and quantity. Evidence could be obtained from work experience, from visits, or from case studies.

The evidence requirement for M1 reinforces the need to study selection procedures in different types of business. Learners need to focus on how selection procedures are applied differently because of the differing requirements of their chosen examples.

For D1, learners need to draw together the evidence presented in M1 and focus on the benefits brought by the use of the procedures revealed in the course of research. Evidence produced for M1 will have been mainly descriptive and explanatory but at distinction level learners need to show how and why the principles and procedures are helpful to the operation and management of a business. For example, this evidence could be from the final task in a case study which traces the steps in organising an event, from enquiry and quotation, to costing the actual event and comparing actual and anticipated profit, and why sound procedures will contribute to success from both customer and management perspectives.

P2 – M2

For P2, learners will explain how costing and pricing procedures are applied. It is unlikely that actual figures will be available as a result of visits or work experience, but examples of blank forms or reports could form the basis of the evidence required. Information produced for other units, such as fully costed recipes, could be a useful source of evidence when combined with relevant explanations.

To meet the M2 criterion, learners need to produce accurately completed calculations illustrating at least four procedures that require costing or pricing. The calculations will focus on how procedures can be applied in different situations, eg when costing simple items such as a single menu item compared to a complex item such as a residential conference, or within pricing, showing how the same item can be priced using different concepts. While some worked examples could utilise evidence from other units (eg costed recipes, budgeting events), figures are likely to be based mainly on tutor supplied material and should include procedures from both catering and accommodation operations. The use of industry accepted formats, layout and terminology are integral to the evidence requirement.

P3 – M3

Evidence for P3 should build on that produced for P1 and P2 and will require learners to undertake calculations which illustrate typical control and accounting methods, tracing the path of materials from purchase, through storage and production to sale of the finished product. For P2 and P3, the use of workbooks or a case study will help learners to produce relevant evidence.

For P3, learners have to undertake calculations, whereas for M3 they also need to also explain how these control and accounting methods are important to businesses. Evidence submitted for M3 will be in industry accepted formats and learners need to explain how at least three of these control and accounting methods are important to businesses. This should reflect, where possible, methods observed during visits or work experience.

P4 – P5 – D2

For P4, learners must describe the purpose of financial statements. Their description will show their understanding of the fact that the objective of financial statements is to provide information about the financial position, performance and changes in financial position of a business that is useful to a wide range of users in making economic decisions.

For P5, learners are not expected to produce valid financial statements and reports, but rather to show that they understand who uses them and for what purpose. The evidence will refer at least to those statements appearing in the unit content relating to learning outcome 4, and will focus on how such reports are used by management and supervisors. For example, this could include how a food cost report prepared following a specific event can be used by a chef or manager to compare the actual costs with the forecast, and thus improve future performance.

Learners must provide evidence of evaluating the importance of financial statements and their use as a business aid in order to meet the D2 grading criterion. The strengths and limitations of different sorts of statements should be addressed, as should the consequences of not using or producing such information in a timely way.

Programme of suggested assignments

The table below shows a programme of suggested assignments that cover the pass, merit and distinction criteria in the assessment and grading grid. This is for guidance and it is recommended that centres either write their own assignments or adapt any Pearson assignments to meet local needs and resources.

Criteria covered	Assignment title	Scenario	Assessment method
P1, M1, D1	Principles of Goods Selection in Hospitality	Learners take the role of supervisors in the hospitality industry and are tasked with producing a booklet for a goods buyer of a hospitality business.	Learners produce a booklet or other material for a goods buyer of a hospitality business.
P2, M2	Costing and Pricing in Hospitality	Learners continue in the role of supervisors and are tasked with producing a booklet for a goods buyer of a hospitality business.	Learners produce a booklet or other material for a goods buyer of a hospitality business.
P3, M3	Control and Accounting Methods for Resources in Hospitality	Learners continue in the role of supervisors and are tasked with preparing more material for use with the hospitality business manager.	Learners create a presentation for use with hospitality business manager.
P4, P5, D2	Use of Financial Statements to Measure Business Performance	Learners continue in the role of supervisors and are tasked with preparing more material for use with the hospitality business manager.	Learners create a presentation for use with hospitality business manager.

Links to other BTEC units

This unit forms part of the *BTEC Hospitality* suite. This unit has particular links with the following unit titles in the Hospitality suite:

Level 2	Level 3
	The Principles of Food Safety Supervision for Catering
	Food Service Organisation
	Environment and Sustainability in Hospitality
	Events Organisation in Hospitality
	Planning and Managing a Hospitality Event
	Accommodation Operations in Hospitality
	Front Office Operations in Hospitality
	Industry-related Project in Hospitality

Essential resources

Tutors should be aware that textbooks are frequently updated and that they should use the latest editions available. Tutors should provide learners with industry templates and pro formas.

Employer engagement and vocational contexts

Inputs from industry specialists and visits to appropriate operations would provide learners with an insight into the purchasing and applied accounting element of hospitality operations. Developing such links would enhance the delivery of this unit. Employers can also provide up-to-date and relevant information as well as demonstrate the use of industry templates and pro formas.

Delivery of personal, learning and thinking skills

The table below identifies the opportunities for personal, learning and thinking skills (PLTS) that have been included within the pass assessment criteria of this unit.

Skill	When learners are ...
Independent enquirers	P1 explaining how the principles of goods selection are applied in hospitality operations [IE 1, 2, 3]
	P2 explaining how costing and pricing procedures are applied in hospitality operations [IE 1, 2]
	P3 applying control and accounting methods for resources in hospitality businesses [IE 1, 2]
	P5 explaining how financial statements are used in the operation of hospitality businesses [IE 1, 2].

Although PLTS are identified within this unit as an inherent part of the assessment criteria, there are further opportunities to develop a range of PLTS through various approaches to teaching and learning.

Skill	When learners are ...
Independent enquirers	analysing the ways in which the principles of goods selection can be applied differently across the hospitality industry
	assessing the value of selection, costing and pricing procedures in the operation of hospitality businesses
	comparing different costing and pricing procedures using accurate calculations completed in industry accepted formats
	explaining how control and accounting methods assist hospitality businesses, giving worked examples using standard conventions
	evaluating the importance of financial statements and their use as a business aid
	[IE 4, 6].

● Functional Skills – Level 2

Skill	When learners are ...
ICT – Use ICT systems	
Select, interact with and use ICT systems independently for a complex task to meet a variety of needs	researching hospitality purchasing systems
Use ICT to effectively plan work and evaluate the effectiveness of the ICT system they have used	
Manage information storage to enable efficient retrieval	
Follow and understand the need for safety and security practices	
Troubleshoot	
ICT – Find and select information	
Select and use a variety of sources of information independently for a complex task	
Access, search for, select and use ICT-based information and evaluate its fitness for purpose	
ICT – Develop, present and communicate information	
Enter, develop and format information independently to suit its meaning and purpose including: <ul style="list-style-type: none"> • text and tables • images • numbers • records 	analysing financial statements
Bring together information to suit content and purpose	
Present information in ways that are fit for purpose and audience	reformatting financial information
Evaluate the selection and use of ICT tools and facilities used to present information	
Select and use ICT to communicate and exchange information safely, responsibly and effectively including storage of messages and contact lists	

Skill	When learners are ...
Mathematics	
Understand routine and non-routine problems in a wide range of familiar and unfamiliar contexts and situations	performing numerical analysis
Identify the situation or problem and the mathematical methods needed to tackle it	
Select and apply a range of skills to find solutions	explaining the use of different performance ratios to food and accommodation scenarios
Use appropriate checking procedures and evaluate their effectiveness at each stage	explaining the use of different performance ratios to food and accommodation scenarios
Interpret and communicate solutions to practical problems in familiar and unfamiliar routine contexts and situations	
Draw conclusions and provide mathematical justifications	
English	
Speaking and listening – make a range of contributions to discussions and make effective presentations in a wide range of contexts	contributing to group discussions presenting results
Reading – compare, select, read and understand texts and use them to gather information, ideas, arguments and opinions	
Writing – write documents, including extended writing pieces, communicating information, ideas and opinions, effectively and persuasively	maintaining a portfolio of evidence.