



Higher National Unit Specification

General information

Unit title: Understanding Hospitality Financial Accounting Statements (SCQF level 7)

Unit code: J383 34

Superclass: AK

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Version: 02

Unit purpose

This unit is designed to provide learners with the knowledge and skills necessary to be able to produce final statements at the end of the financial year that reflect the success or otherwise of hospitality organisations.

In addition, learners will develop skills to enable them to interpret the information in financial statements in order to make recommendations for business improvement.

This unit is part of a progressive suite of units relating to finance in the hospitality industry at SCQF levels 5–8.

Outcomes

On successful completion of the unit, the learner will be able to:

- 1 Prepare an income statement from given information in a trial balance.
- 2 Prepare a statement of financial position from given information in a trial balance.
- 3 Calculate operating statistics from given information.
- 4 Interpret data presented and make realistic recommendations.

Credit points and level

1 Higher National Unit credit at SCQF level 7: (8 SCQF credit points at SCQF level 7)

Higher National Unit Specification: General information (cont)

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Recommended entry to the unit

While entry is at the discretion of the centre, learners will benefit from having:

- ◆ Competence in numeracy
- ◆ Completed qualifications in Hospitality, Professional Cookery or Events at SCQF level 5/6
- ◆ Relevant experience of working in the hospitality industry

Core Skills

Achievement of this Unit gives automatic certification of the following Core Skills component:

Core Skill component	Critical Thinking at SCQF level 5 Using Number at SCQF level 5
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Any opportunities to develop further aspects of Core Skills are highlighted in the Support Notes section of this Unit specification.

Context for delivery

This unit is delivered as part of a group award in Professional Cookery, Hospitality Management or Event Management it is recommended that it be taught and assessed within the subject area of the group award to which it contributes.

You should aim to contextualise each of the outcomes with reference to current industry practice, using realistic figures to enable learners to relate to the scenarios presented in learning and assessment.

The Assessment Support Pack (ASP) for this unit provides assessment and marking guidelines that exemplify the national standard for achievement. It is a valid, reliable and practicable assessment. Centres wishing to develop their own assessments should refer to the ASP to ensure a comparable standard. A list of existing ASPs is available to download from SQA's website (<http://www.sqa.org.uk/sqa/46233.2769.html>).

Equality and inclusion

This unit specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when planning learning experiences, selecting assessment methods or considering alternative evidence.

Further advice can be found on our website www.sqa.org.uk/assessmentarrangements.

Higher National Unit Specification: Statement of standards

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Acceptable performance in this unit will be the satisfactory achievement of the standards set out in this part of the unit specification. All sections of the statement of standards are mandatory and cannot be altered without reference to SQA.

Where evidence for outcomes is assessed on a sample basis, the whole of the content listed in the knowledge and/or skills section must be taught and available for assessment. Learners should not know in advance the items on which they will be assessed and different items should be sampled on each assessment occasion.

Outcome 1

Prepare an income statement from given information in a trial balance.

Knowledge and/or skills

- ◆ Calculate the gross income as part of an income statement
- ◆ Calculate the net income as part of an income statement
- ◆ Calculate appropriate percentages

Outcome 2

Prepare a statement of financial position from given information in a trial balance.

Knowledge and/or skills

- ◆ Calculate total assets
- ◆ Calculate total equity and liabilities
- ◆ Calculate appropriate ratios

Outcome 3

Calculate operating statistics from given information.

Knowledge and/or skills

- ◆ Calculate occupancy statistics
- ◆ Calculate average spend
- ◆ Calculate stock turnover

Outcome 4

Interpret data presented and make realistic recommendations.

Knowledge and/or skills

- ◆ Analysing operating statistics from a set of budgeted and actual departmental income statements
- ◆ Analysing budgeted and actual statistics
- ◆ Reporting on findings based on comparisons
- ◆ Making recommendations based on findings from ratios and statistics

Higher National Unit Specification: Statement of standards (cont)

Unit title: Understanding Hospitality Financial Accounting Statements (SCQF level 7)

Evidence requirements for this unit

Learners will need to provide evidence to demonstrate their knowledge and/or skills across all outcomes. Evidence for Outcome 1, 2 and 3 should be generated under supervised open-book conditions. Evidence can be generated under unsupervised conditions with lecturers authenticating learners' work.

Outcome 1

Learners should be provided with sufficient information in the form of a trial balance along with some background information on a hospitality organisation to enable them complete a given pro forma income statement. The income statement should contain:

- ◆ Gross income
- ◆ Labour costs
- ◆ Overhead costs
- ◆ Net income in revenue (£) and percentages (%)

Outcome 2

Learners should be provided with sufficient information in the form of a trial balance along with some background information on a hospitality organisation to enable them complete a given pro forma statement of financial position. The statement of financial position should contain:

- ◆ Total assets
- ◆ Total equity and liabilities
- ◆ Calculation of appropriate ratios

Outcome 3

Learners are required to calculate operating statistics for a given hospitality organisation. Evidence should include:

- ◆ Calculation of restaurant/room occupancy
- ◆ Calculation of average spend
- ◆ Calculation of stock turnover

Outcome 4

Learners are required to interpret the data from the income statement, statement of financial position and operating statistics for the given hospitality operation produced for Outcomes 1, 2 and 3, comment and make recommendations on how profitability can be improved.

Recommendations should reflect all calculations and be realistic and achievable in current market conditions.



Higher National Unit Support Notes

Unit title: Understanding Hospitality Financial Accounting Statements (SCQF level 7)

Unit support notes are offered as guidance and are not mandatory.

While the exact time allocated to this unit is at the discretion of the centre, the notional design length is 40 hours.

Guidance on the content and context for this unit

It is important to note that the overall purpose of this unit is to introduce learners to the content and make up of financial statements at the end of a trading period. Having an understanding of this is important in the decision-making processes involved in developing the business for current management/owners and any prospective buyers/investors.

This includes:

- ◆ Understanding and using the content of a trial balance to produce an accurate income statement for a trading period
- ◆ Understanding and using the content of a trial balance to produce an accurate statement of financial position at the end of a trading period
- ◆ Calculation of appropriate operating statistics from given information that provides information for decision making at supervisory/junior management level
- ◆ Interpreting the data produced in order to make realistic recommendations to improve performance and the financial standing of a hospitality operation

This unit provides a grounding in calculations required for a successful career in hospitality at supervisory/management level and/or continuing to HND level qualifications in Hospitality Management, Professional Cookery or Events Management.

Guidance on approaches to delivery of this unit

In order to provide ample opportunities for learners to satisfy evidence requirements for this unit, it is essential that the delivering centre has access to appropriate/suitable IT facilities and spreadsheet programmes.

It is important in beginning delivery of this unit that time is taken to establish the starting point of learners and not to assume that all learners have experience of working with numbers in a hospitality setting.

It is also important to encourage group work to allow for sharing of personal experiences, be that from a work or a customer point of view. To this end, wherever possible, learners should be exposed to realistic work environments either within the learning environment or visits to a variety of establishments. This encourages contextualisation and application of the terminology used throughout the delivery of this unit.

Higher National Unit Support Notes (cont)

Unit title: Understanding Hospitality Financial Accounting Statements (SCQF level 7)

The outcomes of this unit should be delivered in the sequence, as this will allow for a development of skills outcome by outcome.

In introducing the unit, it is worthwhile spending some time in introducing trial balances and where the figures in them come from. The following terminology should be covered:

- ◆ The concept of Dr and Cr (in and out) from the point of view of owning a business, as opposed to a bank statement
- ◆ Trade receivables
- ◆ Trade payables
- ◆ Equity
- ◆ Income statements
- ◆ Statements of financial position

It is important to emphasise that this unit will concentrate on statements for a sole trader, but the basic format used is also applicable to partnerships and limited companies.

Outcome 1

Learners should be provided with several trial balances from a variety of hospitality organisations, and the elements that belong in an income statement identified, to include:

- ◆ Sales, including cash and credit
- ◆ Cost of sales:
 - opening and closing stocks
 - cash and credit purchases
 - purchases returns
 - staff meals and allowances
- ◆ Labour costs:
 - management salaries
 - wages
 - staff meals
 - staff uniforms
 - staff travel costs
- ◆ Overheads:
 - electricity and gas
 - telephone
 - rent and rates
 - stationery
 - loan interest
 - depreciation (a new concept worth spending time explaining what this is and how it is calculated)

Pro forma layouts of income statements, etc should be provided as appropriate.

Higher National Unit Support Notes (cont)

Unit title: Understanding Hospitality Financial Accounting Statements (SCQF level 7)

Lecturers should work through the first example with learners, highlighting the following:

- ◆ Cost of sales
- ◆ Gross income
- ◆ Net income

An explanation of the reason for calculating percentages in terms of making comparisons with year on year statements for different types of hospitality operation should be provided.

Learners could be encouraged to maintain a portfolio of evidence as they work through a minimum of six exercises that demonstrate successful and not so successful operations. This will serve them well when completing assessments for all outcomes in this unit.

Outcome 2

Learners should be provided with the same trial balances from a variety of hospitality operations as used in Outcome 1, identifying which elements belong in a statement of financial position to include:

- ◆ Total non-current assets, including:
 - property
 - equipment/machinery
 - vehicles
 - other investments (over one year)
- ◆ Current assets, including:
 - stocks held
 - trade receivables
 - cash and bank (less than one year)
- ◆ Total assets
- ◆ Total current liabilities, including:
 - trade payables
 - bank overdrafts
- ◆ Non-current assets less current liabilities
- ◆ Non-current liabilities, including:
 - loans over one year
- ◆ Total non-current liabilities
- ◆ Total assets less liabilities
- ◆ Taxpayers' equity and other reserves, eg:
 - general fund
 - investments
- ◆ Total equity
- ◆ Balancing figures

Pro forma layouts for statements of financial position, etc should be provides for each question as appropriate.

Lecturers should work through the first example with learners, highlighting the above.

Higher National Unit Support Notes (cont)

Unit title: Understanding Hospitality Financial Accounting Statements (SCQF level 7)

Lecturers should then explain the reason for calculating percentages/ratios in terms of liquidity of the business and making comparisons with year on year statements for different types of hospitality operations.

Learners should be encouraged to maintain a portfolio of evidence as they work through a minimum of six exercises that demonstrate successful and not so successful operations. This will serve them well when completing assessments for all outcomes in this unit.

Outcome 3

Learners should be presented with case studies based on similar organisations to those used for the trial balances for Outcomes 1 and 2. The case studies should set the scene for the type of organisation the figures refer to and allow the learner to:

- ◆ Calculate restaurant occupancy statistics
- ◆ Calculate average spend
- ◆ Calculate stock turnover

Outcome 4

This outcome should be based on all of the calculations completed in Outcomes 1, 2 and 3.

Lecturers should present the learner with both budgeted figures for the current period and the previous years' results to initiate group discussion based on calculating, commenting and recommending.

Having presented the learner with pro forma that allows them to extract the figures from the current year's performance alongside the previous results and the budgeted figures, lecturers should work through an example that gives a clear idea of the expectation. This should allow for easier comment and recommendation.

Points to emphasise when commenting and making recommendations:

- ◆ State the assumptions, ie: location, customer base and competition
- ◆ Be realistic
- ◆ Consider the assumptions made
- ◆ Staffing capabilities
- ◆ Consider any price/cost ceilings
- ◆ Time constraints
- ◆ Available investment

Guidance on approaches to assessment of this unit

Evidence can be generated using different types of assessment. The following are suggestions only. There may be other methods that would be more suitable to learners.

Higher National Unit Support Notes (cont)

Unit title: Understanding Hospitality Financial Accounting Statements (SCQF level 7)

Centres are reminded that prior verification of centre-devised assessments would help to ensure that the national standard is being met. Where learners experience a range of assessment methods, this helps them to develop different skills that should be transferable to work or further and higher education.

Outcomes 1, 2 and 3 should be assessed in a supervised, open-book format, where learners have access to log books and/or worked examples that they gave complete during the delivery of this unit. Outcome 4 could be assessed as a home-based assignment — learners' work could be authenticated using software such as Turnitin.

Portfolios may also be used to authenticate evidence presented by learners.

Learners should be allowed access to calculators, phones and other devices as used in day-to-day life calculations.

Instruments of assessment should be designed to allow learners to provide evidence of understanding and application of all concepts as stated in the evidence requirements.

Outcomes 1 and 2

These outcomes could be assessed together after the delivery of Outcome 2.

Learners should be presented with a trial balance that incorporates all items required to prepare an income statement and a statement of financial position. They should also be presented with two pro forma to complete the exercise (one for practice and one for final submission). Learners should achieve minimum of 80% of the marks available to pass these outcomes.

Outcome 3

This outcome should be assessed using a case study providing the learner with sufficient information to complete the pro forma. Pro formas should contain enough space to allow the learner to provide their workings for the calculations.

Evidence for Outcomes 1, 2 and 3 should be generated under open-book, supervised.

Outcome 4

This outcome could be assessed using a home-based assignment, which should be issued two weeks into delivery of the unit. Lecturers could set a submission date of two weeks from the end of the delivery to allow for any required remediation and/or further information.

Interpretation of the data may be presented as a report of in bullet-point format. The recommended word count is 200–350 words. A score of at least 80% is required for a pass.

Higher National Unit Support Notes (cont)

Unit title: Understanding Hospitality Financial Accounting Statements (SCQF level 7)

Opportunities for e-assessment

E-assessment may be appropriate for some assessments in this unit. By e-assessment we mean assessment which is supported by Information and Communication Technology (ICT), such as e-testing or the use of e-portfolios or social software. Centres which wish to use e-assessment must ensure that the national standard is applied to all learner evidence and that conditions of assessment as specified in the evidence requirements are met, regardless of the mode of gathering evidence. The most up-to-date guidance on the use of e-assessment to support SQA's qualifications is available at www.sqa.org.uk/e-assessment.

Opportunities for developing Core and other essential skills

The Critical Thinking component of Problem Solving at SCQF level 5 and Using Number component of Numeracy at SCQF level 5 are embedded in this unit. When a learner achieves these units, their Core Skills profile will also be updated to include these components.

Numeracy: Using Number at SCQF level 6

For all outcomes, learners are required to prepare income statements and statements of financial accounts, calculate operational statistics and interpret a wide range of complex financial data in order to comment make recommendations for improved business profitability. Therefore, learners will be demonstrating the Core Skill component of Using Number at SCQF level 6.

Problem Solving: Critical Thinking at SCQF level 6

For all outcomes, learners are required use information from trial balances to prepare income statements and statements of financial accounts, including gross income, various costs, calculation of ratios, etc. In addition, learners are required to calculate operational statistics (such as occupancy rates, average spend, stock turnover) and interpret a wide range of complex financial data in order to make recommendations for improvements to the profitability of a hospitality organisation. Therefore, they will be demonstrating the Core Skill component of Critical Thinking at SCQF level 6.

Problem Solving: Reviewing and Evaluating at SCQF level 6

For Outcome 4, learners are required to interpret and analyse a wide range of complex financial data in order to make realistic and achievable recommendations for improvements to the profitability of a hospitality organisation. Therefore, they will be demonstrating the Core Skill component of Reviewing and Evaluating at SCQF level 6.

History of changes to unit

Version	Description of change	Date
02	Core Skills Components Critical Thinking and Using Number at SCQF level 5 embedded.	21/11/19

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General information for learners

Unit title: Understanding Hospitality Financial Accounting Statements (SCQF level 7)

This section will help you decide whether this is the unit for you by explaining what the unit is about, what you should know or be able to do before you start, what you will need to do during the unit and opportunities for further learning and employment.

This unit is designed to provide you with the knowledge and skills necessary to be able to produce final statements at the end of the financial year that reflect the success or otherwise of hospitality organisations.

In addition, you will develop skills to enable you to interpret the information in financial statements in order to make recommendations for business improvement.

It would be advantageous if you have completed qualifications at SCQF level 5/6 that cover finance for the hospitality industry, have experience of working with numbers and/or experience of working in the hospitality industry before undertaking this unit, however, this is not essential.

There are four outcomes in the unit:

- 1 Prepare an income statement from given information in a trial balance
- 2 Prepare a statement of financial position from given information in a trial balance
- 3 Calculate operating statistics from given information
- 4 Interpret data presented and make realistic recommendations

The assessments for Outcomes 1, 2 and 3 of this unit will be carried out in a supervised environment, under open-book conditions. This means that you will be able to access the work you have completed during your studies for this unit. Assessment of Outcome 4 is likely to be a home-based assignment. You will be allowed access to calculators, phones or other devices as used in everyday calculations when completing exercises and assessments for this unit.

Completion of this unit will also enable you to develop the following Core Skills:

- ◆ *Numeracy*: Using Number at SCQF level 6
- ◆ *Problem Solving*: Critical Thinking at SCQF level 6
- ◆ *Problem Solving*: Reviewing and Evaluating at SCQF level 6

On successful completion of this unit, you could progress to other units in Hospitality/Professional Cookery at SCQF levels 7/8 and/or seek employment in the hospitality industry.

This unit is part of a progressive suite of units relating to finance in the hospitality industry at SCQF levels 5–8.