



## Higher National Unit Specification

### General information

**Unit title:** Hospitality Management Accounting (SCQF level 8)

**Unit code:** J384 35

**Superclass:** AK

**Publication date:** November 2019

**Source:** Scottish Qualifications Authority

**Version:** 02

### Unit purpose

This unit is designed to develop the knowledge and understanding required to analyse financial data and to make informed business decisions within a hospitality organisation.

Learners will perform calculations, produce financial statements and analyse data from a variety of hospitality organisations in order to make recommendations for business improvement based on industry norms and budgeted figures.

This unit is mandatory in the Higher National Diploma (HND) in Hospitality Management at SCQF level 8. However, it can also be delivered as a stand-alone unit.

This unit is also 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 statements reconciling budgeted and actual profit for the year using variance analysis.
- 2 Apportion costs to appropriate departments to determine contribution to overall profit for the year.
- 3 Report on the financial position of a business and make appropriate recommendations for improvement.

### Credit points and level

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

## **Higher National Unit Specification: General information (cont)**

**Unit title:** Hospitality Management Accounting (SCQF level 8)

### **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 Management, Professional Cookery or Events Management at SCQF level 7
- ◆ 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 6

Any opportunities to develop further aspects of Core Skills are highlighted in the Support Notes section of this Unit specification.

### **Context for delivery**

If this unit is delivered as part of the HND in Hospitality Management, it is recommended that it be taught and assessed in the context of this group award.

Each outcome could be contextualised to reflect current industry practice, using realistic figures to enable learners to relate to the scenarios presented in learning and assessment.

### **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 could be taken into account when planning learning experiences, selecting assessment methods or considering alternative evidence.

## Higher National Unit Specification: Statement of standards

**Unit title:** Hospitality Management Accounting (SCQF level 8)

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 could not know in advance the items on which they will be assessed and different items could be sampled on each assessment occasion.

### Outcome 1

Prepare statements reconciling budgeted and actual profit for the year using variance analysis.

#### Knowledge and/or skills

- ◆ Calculation of budgeted and actual net incomes
- ◆ Calculation of revenue variances
- ◆ Calculation of cost variances, highlighting cost of sales and variable labour costs
- ◆ Reconciliation of budgeted and actual profits
- ◆ Analysis of the variance results
- ◆ Making recommendations for improvement

### Outcome 2

Apportion costs to appropriate departments to determine contribution to overall profit for the year.

#### Knowledge and/or skills

- ◆ The difference between direct and indirect costs
- ◆ Different methods of apportioning costs
- ◆ Calculation of departmental gross income
- ◆ Calculation of direct labour incomes
- ◆ Calculation of departmental incomes
- ◆ Preparation of a departmental income statement, stating the overall net income

### Outcome 3

Report on the financial position of a business and make appropriate recommendations for improvement.

#### Knowledge and/or skills

- ◆ Analysis and comparison of financial data
- ◆ Reporting on the current financial standing of an organisation
- ◆ Making recommendations for improvement

## Higher National Unit Specification: Statement of standards (cont)

**Unit title:** Hospitality Management Accounting (SCQF level 8)

### Evidence requirements for this unit

Learners will need to provide evidence to demonstrate their knowledge and/or skills across each of the outcomes.

#### Outcome 1

Learners should be provided with sufficient information to carry out variance analysis and prepare statements reconciling the budgeted and actual profits for the year for a given hospitality organisation. The statements should include the following:

- ◆ Calculation of gross and net income
- ◆ Calculation of all elements of cost:
  - cost of sales
  - labour costs
  - stated overall overhead costs
- ◆ Calculation of variances\* in the cost of sales caused by:
  - a change in the number of covers/customers
  - a change in the average spend
  - a change in the usage of ingredients
  - a change in the price of ingredients
- ◆ Calculation of variances\* in the labour costs caused by:
  - number of staff required
  - number of hours works
  - hourly rate paid

\*Variances may be favourable or adverse.

Learners should also produce a reconciliation statement using all variances calculated above, analyse results and make recommendations for improvement.

#### Outcome 2

Learners should be provided with a trial balance containing sufficient detail to enable them to calculate the cost of sales, labour and overheads for **two** operational departments and apportion cost appropriately. The methods of apportioning costs should include:

- ◆ Sales mix
- ◆ Floor area occupied
- ◆ Set percentages

The data gathered from the above should then be used to complete a given pro forma income statement that enables learners to calculate:

- ◆ Departmental gross incomes
- ◆ Direct labour incomes
- ◆ Departmental incomes
- ◆ Overall net income for the operation

## Higher National Unit Specification: Statement of standards (cont)

**Unit title:** Hospitality Management Accounting (SCQF level 8)

### Outcome 3

Learners are required use the data in the income statement produced for Outcome 2 to report to management/owners on the financial position of a given hospitality business and make appropriate recommendations for improvements. Reports should include the following information:

- ◆ A statement of assumptions based on:
  - location
  - competition
  - standard of operation
  - customer expectations
- ◆ The current financial standing of the business
- ◆ Analysis and comparison of the figures, with comments on:
  - reasons for acceptance of results
  - meeting budgets
  - achievability of budgets in relation to assumptions
- ◆ Identification of areas for improvement
- ◆ Reasoned recommendations for improvement that are:
  - presented in such a way as to be understood by management/owners
  - achievable



## Higher National Unit Support Notes

**Unit title:** Hospitality Management Accounting (SCQF level 8)

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 develop learners understanding of the importance of controlling individual costs involved in the day-to-day business and the effect this can have on the overall profits that can be achieved.

This includes:

- ◆ The importance of achieving budgeted figures
- ◆ Calculation of variances/differences between budgeted and actual figures and how they can be better controlled/managed
- ◆ Determining the departmental incomes that contribute to, and impact on the overall level of operational success within a business
- ◆ Making reasonable recommendations for improvement of the overall performance of an operation which can be adopted by management/owners

This unit provides a grounding in calculations required for a successful career as a manager the hospitality industry and/or progressing to degree level qualifications in Hospitality Management.

### Guidance on approaches to delivery of this unit

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

It is important when 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:** Hospitality Management Accounting (SCQF level 8)

The outcomes of this unit could be delivered in the sequence of writing as this will allow for a development of skills outcome on outcome. Delivery of outcomes should reflect current industry practice and use realistic figures to enable learners to relate to the scenarios presented in learning and assessment.

When introducing the unit, it is worthwhile spending some time revising the content of a trial balance and income statements. This could include the following terminology:

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

### Outcome 1

A variety of case studies based on realistic hospitality operations could be provided to allow learners to calculate budgeted and actual net incomes, using all elements of cost. Pro forma layouts of reconciliation statements, etc should be provided as appropriate.

Learners could be encouraged to discuss, in groups, the possible reasons for the overall differences in gross and net incomes calculated.

This outcome involves the identification of differences between revenue-based and cost-based variances as a starting point.

Lecturers could then introduce revenue-based variances by demonstrating the two factors involved in calculating the total revenue:

- ◆ Variances caused by a change in the number of covers/customers to produce either a favourable or an adverse variance
- ◆ Variances caused by a change in the average spend to produce either a favourable or an adverse variance

Lecturers could then work through an example of revenue-based variances:

- ◆ Budget revenue:
  - budgeted number of covers x budgeted average spend
- ◆ Control:
  - actual number of covers x budgeted average spend
- ◆ Actual revenue:
  - actual number of covers x actual average spend

Lecturers could explain that changing one factor at a time allows identification of the favourable and adverse variances that lead to the change between the budget and actual figures achieved. A favourable **revenue** variance results from the actual being **more** than the budgeted figure.

## Higher National Unit Support Notes (cont)

**Unit title:** Hospitality Management Accounting (SCQF level 8)

Learners could then discuss, in groups, how these variances could be improved which could include the possible reasons for any change in the number of covers, average spend, change in the economic environment, change in the client base, increase in local competition, etc. They could then identify how they could possibly improve these variances, both from a personal experience point of view and their professional opinions built up over their studies in other units.

Lecturers could then introduce cost-based variances by demonstrating the three factors involved in calculating the total costs:

- ◆ Cost of sales:
  - number of covers
  - quantity of ingredients used per cover
  - the price paid for the ingredients
- ◆ Variable labour:
  - number of staff required
  - number of hours worked
  - the hourly rate paid

Lecturers could then work through an example of cost-based variances.

These examples could include the calculation of cost of sales and variable labour costs.

Cost of sales:

- ◆ Budgeted cost of sales:
  - budgeted number of covers **x** budgeted ingredient cost **x** budgeted price
- ◆ Control 1:
  - actual number of covers **x** budgeted ingredient cost **x** budgeted price
- ◆ Control 2:
  - actual number of covers **x** actual ingredient cost **x** budgeted price
- ◆ Actual cost of sales:
  - actual number of covers **x** actual ingredient cost **x** actual price

Lecturers could explain that changing one factor at a time allows you to identify the favourable and adverse variances that lead to the change between the budget and actual figures achieved.

A favourable cost of sales variance results from the actual being **less** than the budgeted figure.

Learners could then discuss, in groups, how these variances could be improved which could include the following:

- ◆ Ingredient usage:
  - better training
  - portion control
  - equipment
- ◆ Ingredient costs:
  - change suppliers
  - change ingredients



## Higher National Unit Support Notes (cont)

**Unit title:** Hospitality Management Accounting (SCQF level 8)

Variable labour costs:

- ◆ Budget labour:
  - budgeted number of staff  $\times$  budgeted number of hours  $\times$  budgeted hourly rate
- ◆ Control 1:
  - actual number of staff  $\times$  budgeted number of hours  $\times$  budgeted hourly rate
- ◆ Control 2:
  - actual number of staff  $\times$  actual number of hours  $\times$  budgeted hourly rate
- ◆ Actual labour:
  - actual number of staff  $\times$  actual number of hours  $\times$  actual hourly rate

Lecturers could explain that changing one factor at a time allows you to identify the favourable and adverse variances that lead to the change between the budget and actual figures achieved.

A **favourable** labour variance results from the actual being **less** than the budgeted figure.

Learners could then discuss, in groups, how these variances could be improved which could include the following:

- ◆ Number of staff
  - review of staff utilisation
- ◆ Number of hours
  - review of staff utilisation
- ◆ Hourly rate
  - review rate paid (while ensuring the minimum wage is paid)

Learners could then produce a reconciliation statement using a given pro forma and all variances calculated above and analyse the variance results to make recommendations for improvements.

### Outcome 2

This outcome could be introduced using a trial balance to talk through where each item may be used within an income statement.

The need to apportion costs to revenue earning departments could then be discussed. These could include:

- ◆ Restaurant
- ◆ Bistro
- ◆ Function areas

The methods of apportionment could include:

- ◆ Sales mix
- ◆ Floor area occupied
- ◆ Set percentages

## Higher National Unit Support Notes (cont)

**Unit title:** Hospitality Management Accounting (SCQF level 8)

Again, lecturers could work through an example using a pro forma for working notes to calculate the apportionments using:

- ◆ Sales mix for variable labour costs
- ◆ Floor area occupied for energy costs
- ◆ Set percentages for departmental overheads

These working notes could then be used to complete a given pro forma income statement, which would allow the learner to calculate:

- ◆ Departmental gross income
- ◆ Post direct labour incomes
- ◆ Departmental incomes
- ◆ Overall net income for the operation

### Outcome 3

This outcome could be based on work carried out during the delivery of Outcome 2 and use the examples provided to learners.

Learners could be encouraged to discuss the results of these examples in terms of:

- ◆ Assumptions made on type of operation
- ◆ Meeting budgeted targets
- ◆ Identifying possible reasons for meeting or not meeting targets
- ◆ Suggesting remedial actions to address any identified issues
- ◆ Current industry practice
- ◆ Current economic situation

It should be highlighted to learners that their comments and recommendations should be realistic and useful to any management team and/or owners. They could be encouraged to start with bullet points covering each of the statistics calculated.

As learners begin to work on their own examples compiled during the delivery of Outcome 2, they could submit their comments and recommendations on a regular basis for feedback, which could focus on the positive, praising realistic and innovative ideas presented. Assumptions could be based on the information provided in the background information for the example questions/case studies in terms of:

- ◆ Location
- ◆ Competition
- ◆ Standard of operation
- ◆ Customer expectations

Comments on each of the calculated figures should include:

- ◆ Reasoned statements as to acceptance of results
- ◆ Meeting budgets
- ◆ Are budgets achievable in relation to assumptions

## Higher National Unit Support Notes (cont)

**Unit title:** Hospitality Management Accounting (SCQF level 8)

### 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.

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 could be transferable to work or further and higher education.

Outcomes 1 and 2 could be assessed in a supervised, open-book format, where learners have access to log books and/or worked examples completed during the delivery of this unit.

Outcome 3 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.

#### Outcome 1

This outcome could be assessed using a case study that presents learners with sufficient information to carry out a variance analysis and reconcile budgeted with actual net incomes.

This evidence should be generated under open-book, supervised conditions where the learner may refer to previously completed examples. Learner should achieve a minimum 80% of the marks available.

#### Outcome 2

This outcome could be assessed using a case study providing learners with sufficient information to complete the pro forma that includes an area to allow them to provide their workings for the calculations of a departmental income statement.

This evidence should be generated under open-book, supervised conditions and learners should achieve a minimum of 80% of the marks available.

#### Outcome 3

The assessment for this outcome could be based on the statement produced to satisfy Outcome 2. Evidence could be generated 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.

## Higher National Unit Support Notes (cont)

**Unit title:** Hospitality Management Accounting (SCQF level 8)

Reports on the financial position of a business and recommendations for improvement may be presented in bullet-point format. The recommended word count is 200–350 words. A score of at least 80% is required for a pass.

### 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](http://www.sqa.org.uk/e-assessment).

### Opportunities for developing Core and other essential skills

The Critical Thinking component of Problem Solving at SCQF level 6 is embedded in this unit. When a learner achieves the unit, their Core Skills profile will also be updated to include this component.

#### ***Numeracy: Using Number at SCQF level 6***

For all outcomes, learners are required to prepare financial statements, apportion costs, reconcile budgeted and actual income, calculate variances and interpret a wide range of complex financial data in order to 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 a wide range of complex financial information in order to carry out variance analysis, reconcile budgets and actual profits, calculate operational costs, apportion departmental costs, report on the financial standing of a hospitality business and make recommendations for improvements to profitability. 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 3, 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 Component Critical Thinking at SCQF level 6 embedded.	19/11/19

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## General information for learners

### Unit title: Hospitality Management Accounting (SCQF level 8)

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.

You will learn how to perform calculations, produce financial statements and analyse data from a variety of hospitality organisations in order to make reasoned recommendations for business improvement based on industry norms and budgeted figures.

The skills you develop in this unit will enable you to perform the type of calculations required for the successful day-to-day supervision/management of a variety of hospitality organisations.

It would be advantageous if you have completed qualifications at SCQF level 7 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.

There are three outcomes in the unit:

- 1 Prepare statements reconciling budgeted and actual profit for the year using variance analysis.
- 2 Apportion costs to appropriate departments to determine contribution to overall profit for the year.
- 3 Report on the financial position of a business and make appropriate recommendations for improvement.

The assessments for Outcomes 1 and 2 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 3 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.