

BIIAB LEVEL 3 DIPLOMA IN LICENSED HOSPITALITY

Unit 7: Business Planning

Specimen Questions

The specimen examination questions contained in this publication are representative of the type of questions used to assess candidates taking the written examination paper for this qualification.

A marking scheme for each of these questions is towards the end of this document.

Each unit of the Diploma in Licensed Hospitality is assessed in two parts:

- 1) Part A The Open Book Test
- 2) Part B The Written Examination Paper.

Part A The Open Book Test

The Open Book Test consists of five short answer questions and is marked out of 20 marks. Each question is marked out of 4 marks. Candidates need to obtain 10 marks out of 20 in order to pass.

Part B The Written Examination

The examination paper consists of 10 short answer questions. Candidates are given 1 hour to complete the paper. Each question is marked out of 4 marked The examination paper is marked out of 40 marks and candidates will need to obtain 20 marks to pass.

Calculators can be used in the examination.

You need to pass both Part A and Part B to pass the Unit.

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Specimen Questions

Question 1

The manager of The Anchor Inn is presenting her business plan to her bank manager to support a request for a loan for a new-build restaurant as an extension to the pub. The business plan includes a section on the business's Market and Competition and a section on its Financial Forecasts.

Describe how each of these two sections would help the bank's manager establish if the loan represents a sound investment. **4 marks**

Question 2

The managers of The Railway Pub and Restaurant are thinking about running a series of food promotions throughout the month of January to increase restaurant dinner covers. One proposal is for food and drink promotions themed around four countries with each theme running for a week.

State **four** points the managers should consider before going ahead with the proposal. **4 marks**

Question 3

The business plan for The Lobster Pot restaurant includes three key targets, which are most important if the profit objective is to be achieved. These targets are:

- Increase the gross profit on sales to 60% throughout the year for the year.
- Reduce salaries and wage costs to 25% of sales.
- Reduce controllable expenses to 15% of sales.

After 6 months the Lobster Pot's accounts show the following actual performance:

	£
Total sales	480,000
Cost of sales	201,600
Salaries and wage costs	134,400
Controllable expenses	70,000

Choose **two** of the targets and using the actual performance figures above, assess whether the business has achieved these targets in the first six months. **4 marks**

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Marking Scheme

The following answers to Questions 1-3 are not exhaustive and examiners are instructed to give credit to valid answers, which are not specifically mentioned in the marking scheme.

Question 1

This question assesses Assessment Criteria 1.3 which states:

Identify the key elements of an effective business plan and explain their influence on business success.

The manager of The Anchor Inn is presenting her business plan to her bank manager to support a request for a loan for a new-build restaurant as an extension to the pub. The business plan includes a section on the business's Market and Competition and a section on its Financial Forecasts.

Describe how each of these two sections would help the bank's manager establish if the loan represents a sound investment. **4 marks**

Market and Competition

This section:

Establishes potential customers' demand for the products/services **1 mark**

Pinpoints potential customers by type/by number/location **Max 1 mark**

Analyses the competition for the customers **1 mark**

From this information the commercial manager can assess the viability of the plan and its likely success **1 mark**

Max 2

Financial Forecasts

This section includes:

Budgets/projects the sales and profits for at least three years **1 mark**

Shows when profits are generated **1 mark**

Gives ROI (return on investment) or ROCE (return on capital employed) **1 mark**

Cash Flow forecasts provides critical information about projected inflow and outflow of cash **1 mark**

From this information the manager can assess whether sufficient income will be generated from the restaurant to repay the interest and capital sum **1 mark**

Max 2

Total 4

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Question 2

This question assesses Assessment Criteria 2.3 which states:

Evaluate proposed activities and make recommendations with reasons on whether to approve or reject the proposed activity

The managers of The Railway Pub and Restaurant are thinking about running a series of food promotions throughout the month of January to increase restaurant dinner covers. One proposal is for food and drink promotions themed around four countries with each theme running for a week.

State **four** points the managers should consider before going ahead with the proposal.

4 marks

Whether there are sufficient potential customers who will be attracted to the event. 1 mark

The reaction of existing customers: will they be supportive or disaffected? 1 mark

The clarity of the objective: whether the objective is to build interest in the restaurant or whether it is to make the event throughout January profitable 1 mark

Financial forecast: will the projections meet the objective 1 mark

Capability; are there the skills to make the event successful and enhance reputation/build the customer base 1 mark

Max 4 marks

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Question 3

This question assesses Assessment Criteria 5.4 which states:

Analyse business performance data and compare against the business plan to identify areas of low performance

The business plan for The Lobster Pot restaurant includes three key targets, which are most important if the profit objective is to be achieved. These targets are:

- Increase the gross profit on sales to 60% throughout the year for the year.
- Reduce salaries and wage costs to 25% of sales.
- Reduce controllable expenses to 15% of sales.

After 6 months the Lobster Pot's accounts show the following actual performance:

	£
Total sales	480,000
Cost of sales	201,600
Salaries and wage costs	134,400
Controllable expenses	70,000

Choose **two** of the targets and using the actual performance figures above, assess whether the business has achieved these targets in the first six months.

4 marks

Gross profit is $(480,000 - 201,600) \div 480,000 = 58\%$.

1 mark

Thus gross profit is 2% points below target

1 mark

Salaries and wage costs are 28% $(134,400/480,000)$

1 mark

This has missed the target of 25% by 3%

1 mark

Controllable costs are 14.6% $(70,000/480,000)$

1 mark

This has met the target – exceeded it by 0.4%

1 mark

Max 4 marks

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