

BIIAB LEVEL 3 ADVANCED CERTIFICATE IN LICENSED HOSPITALITY

Unit 1: Profit and Loss and Budget Control

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 marks. 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 Old Bull and Bush Inn is planning to have a midsummer barbecue in the beer gardens. She has estimated that the additional costs of running the event are:

Extra staff hours	£45
Publicity	£100
Entertainment	£200

She wants to calculate whether the event will break-even.

- (a) Briefly explain what is meant by “break-even”. **1 mark**
- (b) Calculate the breakeven point for this event. There is normally a gross profit of 47%. **3 marks**

Question 2

The Taj group owns two Asian restaurants. The accounts for November have just been published. The operations manager is making a comparison of productivity using the following data: -

	Restaurant A	Restaurant B
Sales	£16,000	£20,000
Wage costs	£4,800	£5,600
No of customers	1,250	1,250
Staff hours		
Customers served per staff hour		

All staff are paid £8.00 per hour including national insurance and a provision for holidays.

Complete the table above, and state which restaurant is more productive. **4 marks**

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Question 3

The table shows the Trading Account for the Saddlers Arms for a particular period:

	Budget	Actual	Variance	Variance
	£	£	£	%
Food sales	15,467		1,329	8.59
Wet sales	24,965	22,892		-8.30
Machines		1,379	-79	-5.4
TOTALS	41,890	41,067	-823	

- (a) Calculate the missing figures and put your answers in the table above. **2 marks**
 (b) Comment on the variances and any possible links between them. **2 marks**

Question 4

An overhead analysis for the La Bouchee restaurant shows the following figures:

	Last Year	This Year	Variance	Year on year % change
	£	£	£	
Gross profit	65,700	74,000	8,300	12.63
Labour	23,500	28,700	5,200	22.12
Heating	4,800	5,000	200	4.17
Rent & Rates	18,600	18,800	200	1.07
Other expenses	2,500	3,000	500	20
Net profit				

- (a) Calculate the net profit for last year and this year. **1 mark**
 (b) State which **one** of these variances would cause most concern to the owner of the La Bouchee. **1 mark**
 (c) State **two** ways in which this variance could be controlled. **2 marks**

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Marking Scheme

The following answers to Questions 1-4 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 4.5 which states:

Explain break-even and apply 'what if' scenarios to determine the viability of a proposed product or activity.

- (a) Briefly explain what is meant by "break-even".

The point where costs = revenue: there is no profit and no loss **1 mark**

- (b) Calculate the breakeven point for this event. There is normally a gross profit of 47%.

$$\text{Total additional costs} = \frac{345 (1) \times 100}{47 (1)} = \text{£}734.04 (1) \text{ o/f} = \text{Break even point}$$

3 marks

Question 2

This question assesses Assessment Criteria 3.4 which states:

Outline the principles of accurate manpower planning and explain the importance of wage control in maximizing business profit.

Complete the table above, and state which restaurant is more productive.

	Restaurant A	Restaurant B
Sales	£16,000	£20,000
Wage costs	£4,800	£5,600
No of customers	1,250	1,250
Staff hours	600	700
Customers served per staff hour	2.08	1.79

For calculating both correct answers for staff hours

1 mark

For calculating both correct answers for customers served per staff hour

2 marks

For stating which restaurant is more productive

1 mark

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Question 3

This question assesses Assessment Criteria 5.3 which states:

Explain external factors that should be considered when producing budgets/forecasts and apply 'what if' scenarios to produce budgets.

	Budget	Actual	Variance	Variance
	£	£	£	%
Food sales	15,467	16,796	1,329	8.59
Wet Sales	24,965	22,892	-2,073	-8.30
Machines	1,458	1,379	-79	-5.4
TOTALS	41,890	41,067	-823	-1.96

- (a) Calculate the missing figures and put your answers in the table above

For calculating 2 correct figures

1 mark

For calculating 4 correct figures

2 marks

- (b) Comment on the variances and any possible links between them

The food sales are up and both wet sales and machine income down.

1 mark

The customers are more likely to play machines whilst drinking not whilst eating.

1 mark

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Question 4

This question assesses Assessment Criteria 3.2 and 3.3 which state:

Analyse costs to identify positive and adverse variances against budget and year on year, identifying trends and indicators of poor cost control.

Analyse cost information to quantify the net profit performance of a business and identify poor cost controls, recommending appropriate remedial management action.

	Last Year £	This Year £	Variance £	Year on year % change
Gross profit	65,700	74,000	8,300	12.63
Labour	23,500	28,700	5,200	22.12
Heating	4,800	5,000	200	4.17
Rent & Rates	18,600	18,800	200	1.07
Other expenses	2,500	3,000	500	20
Net profit	16,300	18,500	2,200	13.50

- (a) Calculate the net profit for last year and this year.

Two correct net profit figures

1 mark

- (b) State which **one** of these variances would cause most concern to the owner of the La Bouchee.

Labour

1 mark

- (c) State **two** ways in which this variance could be controlled

Any two of the following:

Inspect shift patterns

1 mark

Work out the hours which could be cut

1 mark

Consider multi-skilling of labour

1 mark

Training to increase productivity

1 mark

Any other valid reason

1 mark

(maximum 2 marks)