

DELIVERING PERFORMANCE EXCELLENCE FINANCIAL PERFORMANCE 2020/2021

Assignment

Part A

You are the senior financial assistant in the accounting department of a large hotel chain, Lux Hotels (Lux). The board of directors of Lux is keen to further grow the company and has established ambitious targets for the coming years. In the short term, the directors are looking to invest in a boutique hotel chain and have asked you to evaluate potential options, Aster Hotels and Ivy Hotels. To this end, your manager has asked you to prepare a financial performance report for the two hotel chains. You must deliver your report by 1 April. See below draft financial statements for both target companies.

REQUIREMENTS

1. Calculate and present what you determine to be the key financial ratios for consideration when making a financial assessment of the two hotel chains, Aster and Ivy.
2. Using the ratios calculated, discuss the financial performance of the two hotel chains and explain which you would select as the better investment. Please ensure to justify your selection.
3. Describe briefly some of the limitations of your analysis.
4. Describe what additional information you would consider useful to assist your analysis of the relative performances of the two investment options.

Lecturer Guidance:

For (1), formula definitions and numbers should be presented for every ratio calculated.

For (2), a detailed discussion of a small number of key ratios is better than presenting lots of ratios accompanied by brief, fragmented analysis.

Part B

At an upcoming meeting, the directors of Lux Hotels will assess the use of budgeting to manage performance within the company.

REQUIREMENT

Draft a memo to the Board of Directors of Lux Hotels to aid the upcoming discussion. The memo should discuss:

- (i) key weaknesses associated with a traditional budgeting system;
- (ii) how budgeting systems could be improved.

Lecturer Guidance: Please refer to supporting literature where appropriate.

Part C

REQUIREMENT

Describe two key changes to the external business environment in recent years and their impact on businesses such as hotels, and on accounting.

You are provided with the following summarized financial information:

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020

	ASTER SARm	IVY SARm
Sales	7,100	8,000
Less cost of sales	<u>4,030</u>	<u>3,680</u>
Gross profit	3,070	4,320
Less expenses	<u>2,470</u>	<u>2,240</u>
Net profit	600	2,080
Finance costs	<u>60</u>	<u>10</u>
	540	2,070
Dividends	<u>65</u>	<u>80</u>
Closing balance	<u><u>475</u></u>	<u><u>1,990</u></u>

BALANCE SHEET AS AT 31 DECEMBER 2020

	ASTER SARm	IVY SARm
Noncurrent Assets	7,980	5,640
Current Assets		
Stock	1,040	640
Debtors	1,495	960
Bank	<u>130</u>	<u>-</u>
	2,665	1,600
Total Assets	<u><u>10,645</u></u>	<u><u>7,240</u></u>
Equity and Liabilities		
Share capital	1,405	1,160
Retained earnings	<u>2,935</u>	<u>3,620</u>
	4,340	4,780
Non-current Liabilities		
8% Loan	<u>5,200</u>	<u>1,500</u>
Current Liabilities		
Trade payables	1,040	880
Dividends	<u>65</u>	<u>80</u>
	1,105	960
	<u><u>10,645</u></u>	<u><u>7,240</u></u>

Marks Allocation

This assignment accounts for one-third of your overall HR5120P module result.

Written Report: 80% of assignment total mark

Parts A, B and C above

Oral Defense (in class): 20% of total assignment mark

See below for further details

Written Report – Overview Marking Scheme

Below is a summary breakdown of the marks allocation for the written assignment:

Part A

Part 1.....20 marks

Part 2.....20 marks

Part 3.....5 marks

Part 4.....5 marks

Part B.....30 marks

Part C.....20 marks

Total.....100 marks

Written Submission

- The written assignment is due by **Thursday 1 April 2021**.
- The cover of each report should contain the following:
 - Module code
 - Module name
 - Student name
 - Lecturer name
 - Submission date
 - Final word count (see below guidance, excluding calculations and references)
 - Organisation name and relevant period regarding financial statement review
- The entire written submission should be no longer than the 1,500 word count guide in total (excluding calculations and references).
 - The word count limit for the report in Part A is 700 words. This word count does not include references or calculations.
 - The wordcount limit for Part B is 500 words (excluding references).
 - The wordcount limit for Part C is 300 words (excluding references).
- Care should be taken to ensure that the submission is appropriately presented: spelling and grammar, appropriate use of tables/graphics in presenting data, and reasonable continuity between sections are important
- A font of Times New Roman, 12, 1.5 spacing is recommended.
- All assignments should be uploaded electronically on Loop using the dedicated assignment uploading facility – paper copies are not required for submission.
- Please ensure that all submissions are entirely your own work. You are also asked to review DCU's Policy on plagiarism which is freely available on the DCU webpages.
- Please note that all assignment marks will be provisional pending external examiner review before the Summer examination boards.

Oral Defense (in class)

An oral exam will be held in class on **Monday 5 April 2021**. Therefore, attendance at this class is mandatory.

The oral exam will be centred around two areas: topics covered in class, including the review of an annual report and work completed on the assignment.

In the oral exam, students will each be asked one question relating to the above and will be allocated a mark based on their ability to demonstrate knowledge and competence in the subject area.