**Finance and Funding in the Travel and Tourism Sector**

This unit aims to develop learners understanding of the issues organisations face operating within a global context. This understanding will allow learners to review the issues currently impacting on businesses. Learners will base some of their work around businesses in a chosen national context.

**Indicative Content**

**1 Understand the importance of costs, volume and profit for management decision-making in travel and tourism**

Costs and volume

* Direct and indirect costs
* Fixed and variable costs
* Overheads – allocation and apportionment
* Principles of activity based costing
* Opportunity cost
* Volume of sales
* Break-even analysis

Importance of costs and volume

* Sales
* Profit
* Market position
* Image

Pricing methods

* Cost-plus
* Marginal costing/pricing
* Full absorption costing
* Market led pricing
* Seasonal pricing

Factors effecting profit

* Effects of economic environment e.g. recession, boom etc.
* Effects of government policies e.g. taxation on fuels, airport taxes etc
* Fashions and trends e.g. new products
* Seasonal influences e.g. summer/winter, school holidays, weather
* Social issues – e.g. concern about environment

**2 Understand the use of management accounting information as a decision-making tool in travel and tourism businesses**

Management accounting information

* Budgets and budgetary control
* Cash flow forecasts
* Management accounts
* Variance analysis
* Statistical information about sales, costs etc.

Decision-making uses

* Raising finance
* Management of working capital
* Forecasting sales/profits/costs
* Investment appraisal
* Assessing profitability
* Evaluating achievement against objectives
* Pricing

**3 Be able to interpret financial accounts to assist decision-making in travel and tourism businesses**

Financial accounts

* Statement of financial performance (income statement)
* Statement of financial position (balance sheet)
* Statement of cash flows

Interpretation

* Comparisons – year on year, business to business, business to industry averages
* Calculating ratios – profitability, liquidity, efficiency, gearing, investor
* Interpretation of ratios
* Weaknesses of ratio analysis
* Consideration of effects of non-financial factors e.g. social and environmental issues

**4 Understand sources and distribution of funding for public and non-public tourism development**

Sources and distribution of funding e.g.

* Banks
* Government funding
* European social funds
* Regional development funds
* Lottery funding
* Venture capitalists
* Internal sources

Types of funding e.g.

* Retained profits
* Debt
* Equity
* Sale and leaseback

Projects e.g.

* Heritage sites
* Tourist information centres
* Activity centres – theme parks, leisure facilities etc
* Regeneration
* Infrastructure projects