

Unit 303: Contribute to business success

Handout 6: Financial resources

Profit and loss statement: This is a summary of the financial performance of the business for a selected period. It uses information from the trial balance to show the sales revenue, gross profit, cost of goods sold, operating expenses and net profit. Information from journal entries is compiled into each ledger code. This is then fed into trial balance before producing the profit and loss statement. The profit and loss statement is the basis of many business decisions and it is extremely important that all types of managers understand and know how to read them.

Transaction report: This is a listing of all transactions which have occurred within an account ledger code, or group of codes. They are often used when investigating budget overspends or when checking for accuracy. The financial controller will often print a transaction report after completing the end-of-month accounts and prior to preparing financial statements, to ensure that they have an understanding of each ledger code and the movements which have occurred compared to budget

Purchase summary report: This is a summary of all purchases within the period. This provides useful information for management as it is a quick reference point as to the suppliers used and the amount spent with each. It is a useful tool for bargaining with suppliers for cheaper prices or higher quality products. Imagine if the vegetable supplier is supplying goods which are below the acceptable level: The chef can use the level of sales as a tool to persuade the supplier to provide better produce. A supplier would not wish to lose the customer and will usually try to assist in any way they can.

Source document: This is a record of the occurrence of any business transaction. Business transactions include food sales in the restaurant, room hire for a conference, purchase of amenities for the rooms and payment of wages.

Examples of source documents include:

- purchase orders
- invoices
- credit notes
- restaurant dockets
- guest room accounts.

Sales reports: These are produced by each revenue-producing department within a hospitality business. The different revenue categories; including food, beverage, rooms, and additional sales, will be listed, showing the actual revenue for the period as well as the budget and the variance between the two. Sales reports are used for managers to analyse the performance of each department compared to budget and to find any weak spots. This way, any underperforming areas can be corrected before the situation becomes too negative.

Stock reports: These show the closing stock level at the end of the period. Each department will have its own stock report, whether they are kitchen, cellar, or housekeeping. Analyses can be done on which items are popular, with a high turnover, and which are less popular and slower moving. Stock on hand can be a significant drain on cashflow as it must be paid for upfront, sometimes a long time before any income is produced.