

BUSINESS COURSEWORK: FINANCE 3

AMY HEATH

Task 1

Cash flow forecast for The Sea View Hotel:

	January	February	March	April	May	June	July	August	September	October	November	December
Opening Balance	1000	10100	-7800	-10700	-12600	-12500	-11400	-10300	-4200	-3600	-6500	-9400
Sales Meals	1000	1000	1000	1000	1000	2000	2000	2000	1000	1000	1000	2000
Sales Accom.	6000	6000	6000	9000	9000	15000	15000	20000	15000	6000	6000	9000
Rent	600	600	600	600	600	600	600	600	600	600	600	600
Bank Loan	12000											
Total	20600	17700	-200	-100	-2000	5100	6200	12300	12400	9000	6100	7200
Food/ Drink	500	500	500	500	500	1000	1000	1000	500	500	500	1000
Mortgages	700	700	700	700	700	700	700	700	700	700	700	700
Wages	7000	7000	7000	7000	7000	12000	12000	12000	12000	7000	7000	7000
Utilities	1000	1000	1000	1000	1000	1500	1500	1500	1500	1000	1000	1000
Loan Repayment	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
Insurance	300	300	300	300	300	300	300	300	300	300	300	300
Refurbishments		15000										
Oven				2000								
Total	10500	25500	10500	12500	10500	16500	16500	16500	16000	10500	10500	11000
PROFIT	10100	-7800	-10700	-12600	-12500	-11400	-10300	-4200	-3600	-6500	-9400	-8800

Task 2

Analyse the cash flow produced in Task 1, including the implications of the regular and irregular cash inflows and outflows for The Sea View Hotel:

The advantages of a cash flow are that you can view how much money is going in and out of your business every month. The cash flow for The Sea View Hotel shows that they are in loss for the majority of the year.

The inflow isn't good enough and to improve this they should raise the price of the hotel rooms and food. To raise their inflow they could advertise and do promotions to get more customers/revenue in.

The outflows in some parts are big values, (the irregular cash outflows) which could be paid over time instead of all at once. They could reduce outflow even more by reducing the price of the food and utilities, and even change their insurers to a cheaper one. They have an irregular inflow for the refurbishments (£12000), but they spent over the money given (£15000), so more money went out than money went in.

Task 3

Describe how each of the following financial transactions/documents could be recorded in order to prevent fraud in The Sea View Hotel:

- **Order form:** The purpose of the order form is to order goods from a supplier. It is completed by the buyer who then sends it on to the company selling the required goods. This can be used if a customer claims something later on that they didn't order or if they deny ordering something.
- **Delivery note:** The supplier sends the goods to the customer accompanied by a delivery note, which lists the items sent. The customer signs this as proof of delivery and keeps a copy for his or her records. This can be used if later on the customer claims they didn't receive the entire order or if something goes missing in the post.
- **Invoices:** The supplier sends an invoice to the customer stating the amount of money owed. This is a bill for payment. When the customer receives the invoice it is checked carefully to make sure that it matches the GRN (Goods received note) and the prices match those quoted on the purchase order. This can be used if the supplier is trying to overcharge the customer.
- **Credit note:** Occasionally, there may be a problem because the goods supplied are incomplete, incorrect or damaged. Or an invoice may be disputed because the price is too high. If goods are returned or an invoice is incorrect then a credit note is issued. This is the opposite of an invoice and confirms that the amount on the credit note will be deducted from the customer's account.
- **Cash receipts and payments:** Most business customers pay by cheque or electronically. In both cases there is no need to issue a receipt. These are only given to acknowledge the cash payments, which are rarely made by business customers. This is why they are often called cash receipts. This can be used for returning items as a proof of purchase.
- **Electronic recording:** Benefits are that any related documents are printed automatically. Usually any electronic system is linked to the firm's company computer system. This means information is automatically added to the relevant accounts.

Recording systems are good overall to prevent fraud as they can be used as evidence and to show exactly where every penny has gone in and out of the business. They can be used to prevent scams and frauds and also keep track of your profits or losses.

Task 4

Evaluate how using cash flow forecasts and financial recording systems can contribute to managing business finances at The Sea View Hotel:

Advantages:

Using a cash flow forecast or another financial recording system can keep track of how much money is going in and out of the company, such as wages, bills, and then your income. If there is more money going out then the business needs to organise an overdraft facility from the bank, otherwise the bills won't get paid. This can act as an early warning system. It can help you manage your finances in advance by looking at the previous years forecast and it can show you where to improve and where you did well. By recording transactions accurately you are cutting down on fraud which will help the business make more profit. You will be cutting down on fraud because you will have a paper trail that you can use to back you up if need be. Better stocktaking means they can order stuff that they need, rather than overstocking or under stocking items which wastes money. Cash flow forecasts can help businesses to spread payments out over a period of time, making it so there isn't one big dip one particular month.

Disadvantages:

Using a cash flow forecast to predict the businesses future can be risky as it is only a prediction based on previous years. Things such as a recession could happen and so the business will not get as much money as it did in previous years. This could mean that the business isn't prepared when they get a sudden dip in revenue and they could go bankrupt.