**15. Sales, revenue and costs**

1. A hotel in Cumbria has 20 rooms. Each room costs £125 per night for Bed & Breakfast. What is the maximum sales revenue the hotel can make from room bookings in one night? /1 mark

Sales Revenue = Selling Price x Quantity Sold
= £125 x 20
= **£2 500**

1. In July it puts prices up to £150 per night. On average the hotel is at 95% capacity for the whole month. What is the sales turnover in July? /3 marks

Sales Turnover = Selling Price x Quantity Sold
95% of 20 rooms = 95 x 20 = 1 900/100
1 900
100 = 19 rooms
£150 x 19 = £2 850
Sales Turnover in July = **£2 850**

Or: 0.95 x 20 = 19 rooms
19 x 150 = **£2 850**

1. The hotel’s annual revenue this year was £675 000. What is the average revenue per month? /1 mark

Annual Revenue
12 months
£675 000
12
Average Revenue per month = **£56 250**

1. Variable costs are £18 per person per night. This year they accommodated a total of 10 800 overnight stays. Fixed costs were £300 000. What was the total cost? /3 marks

Total cost = Fixed Costs + Total Variable Costs
= £300 000 + (£18 x 10 800)
= £300 000 + £194400
= **£494 400**

Or: £18 x 10 800 = £194 400
£194 400 + £300 000
= **£494 400**

1. What was the profit made by the hotel? /2 marks

Profit = Total Revenue – Total Costs
Profit = £675 000 - £494 400
Profit = **£180 600**

1. The owner has set an objective to increase profit by 5% per year for each of the next three years. If they achieve this objective what will be the profit in three years’ time? /4 marks

£180 600 X 1.053 = **£209 067**

Or:

Year 1 £180 600 x 1.05 = £189 630

Year 2 £189 630 x 10.5 = £199 111.50

Year 3 £199 111.50 x 1.05 = **£209 067**

If they achieve this objective the expected profit in 3 years’ time will be £209 067.