

Assignment to 6.2.4.1

You are the manager of the hotel "Excelsior Gala", which is conceived for congresses and meetings. The hotel has opened only recently; and now some decisions have to be made.

The following data are provided:

The hotel has 144 rooms. The price for a stay overnight without breakfast is € 169,--. Since the hotel is a member of a French chain, the price is per room and not per person. The French breakfast may be neglected. With an average of 1.800 stays per month the level of capacity utilization is still rather modest. Total cost per month is € 300.000,--, average turnover per month is € 304.200,--. (For planning purposes the month is set to 30 days.)

Guests of the hotel are predominantly business travellers who appreciate a neat atmosphere .

1. You received the offer of a low price tour operator who is willing to buy 1.000 stays per month, but only at a price of € 100,--, children included. Should the offer be accepted?

1.1 Which answer would be given by full costing?

1.2 Which answer would be given by variable costing? For variable costing further data are required:

Fixed cost per month	€ 264.000,--
Variable cost per month	€ 36.000,--

The following questions are to be answered under the assumption that the tour operator's offer is *not* accepted.

2. How many rooms must be rented per month to cover all fixed and variable costs? Which turnover is necessary to do this?

3. Sometimes, late in the evening, the price for an overnight stay is reduced, in order to prevent potential guests from booking a stay in the hotel "Mercure" round the corner. Which is the absolute minimum price that could be accepted?

4. If the price determined in 3. were granted to all guests, which would be the monthly profit?

5. Which is the average minimum price per stay covering all costs? (It is assumed that the number of stays remains untouched, if this price were applied.)

6. The headquarters are requesting a higher capacity utilization, in order to raise monthly profit by € 50.000,--. How many stays must be sold additionally if the price of € 169,-- is maintained?

7. How many stays must be made in addition to increase monthly profit by € 50.000,-- if the price is reduced to € 144,-- for all guests?

8. A new idea is born: The presidential suite is prepared for wedding couples. A weekend inclusive champagne dinner is priced at € 666,--. Variable costs per stay and per couple are € 180,--. The group management engages Brad Pitt to give an autographing session in the hotel and, of course, to give some hints about the new offer. How many stays must be sold to compensate Brad's fee, which amounts to € 20.000,-- for a two hours session?