

Managerial Accounting

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Introduction

The users of a business plan look ahead to see a breakeven analysis in the business plan. It shows that one has a great understanding of the financial mechanism of the business and can regularly disclose if or not a plan is feasible. The breakeven point is the smallest level of sales that a firm has to attain to recover its costs. The business plan for a skiing lodge has been chosen to show the use of accounting management in the sector of hospitality management.

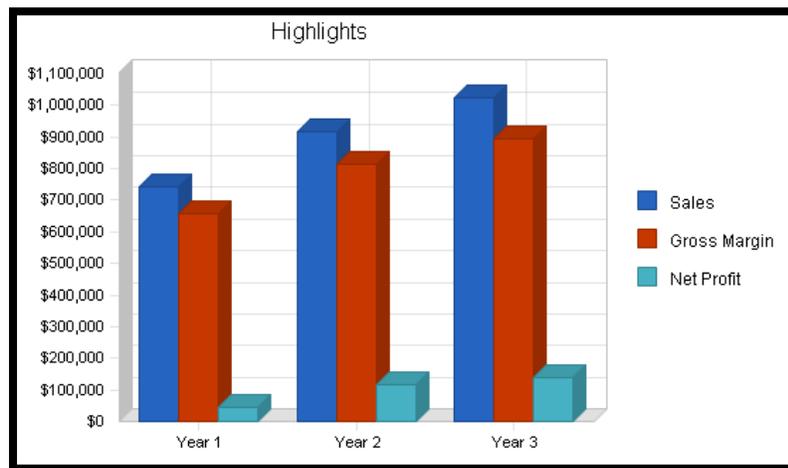
Selected business

The Big Bang cottage is planned to be situated three blocks as of Crest Lake Village, middle-mountain at Bear Valley Resort and on the open shuttle structure. Situated in the lately stretched Crest Canyon area, Big Bang Lodge will provide the clients with 12 two-bedroom divisions with underground parking, fully-equipped kitchens, laundry provisions and stone inglenooks. Big Bang cottage will also provide with a common-region outside hot tub in addition to on-site front desk facilities and an on-site outlet.

Management accounting makes the month-by-month or week-by-week reports for the business' internal users like the managers of various divisions and the CEO (chief executive officer). These reports typically show the sum of accessible cash, outstanding debts, sales revenue produced by the business, quantity of orders available with the business, situation of accounts payable and accounts receivable, figures of the raw material and stock registers, and also has the of trending graphs, variance study, and other information. An effective management accounting system will provide this cottage business with the superior quality, well-timed information to related people. even though materialization of information technology have led to the availability of information at very low rates than ever, the expenditure of additionally refinement of an information system would require to be assessed adjacent to the gains that are likely to be caused by such adjustment. As per Hilton (2008), Management accounting is yet to be explored and is a fresh discipline, so, its theory and tools are still budding as fresh techniques are established to offer information that assists the managers.

Why you think this business would be profitable

Every year, more than 150,000 skiers and nature-loving people visit the Bear Valley Resort region. Usually, guests pay out more than \$250 million, yearly, for lodging, foodstuff, and leisure activities at this resort. The sole owner of the Big Bang cottage will manage the cottage like a skiing cottage in the months of November to April. Throughout the spring season and Summer season (which are from May to August), the Big Bang cottage will function like a resort for the summer season. The cottage will be shut down all through the months of September and October.



Objectives of the Cottage

The objectives of the Big Bang cottage for the initial three years of function consist of:

- Going beyond client's hopes for luxury apres ski cottages.
- Having a 90% occupancy level all through the peak times.
- Getting and hiring skilled and efficient employees.

Mission

The mission of Big Bang cottage is to turn out to be the ideal cottage of preference with guests who come to Bear Valley Resort.

Company Summary

The Big Bang cottage, situated in the lately started Crest Canyon region, has 12 two-bedroom divisions with stone fireplaces, completely set up kitchens, laundry services and underground parking. Big Bang cottage too has a common-region open-air hot tub in addition to an on-site outlet and on-site front desk facilities.

Management accountants of the business have to look forward - and lay stress on estimating and decision-making (Likierman, 2010). They utilize information to suggest on the way the business can move ahead, for instance, should the cottage purchase one more, should it put in latest tools. Management accounting engages utilization of the in-house financial information accessible to managers, in addition to that information which the cottage has to distribute by regulation. This adds to forward plans, reconsidering and assessing the performance of the Ski business. Management accounting is elementary in strategic planning (Michalski, n.d.). Whenever the business will be looking to have a strategic decision, for instance, if or not to build up a latest product line, purchase one more firm or develop into other nations, the skilled management accountant can endow with recommendation. They can utilize lots of devices to support decision-making. These embrace ratio examination, forecasts and budgets (like the cash flow and variances).

Company Ownership

XXXX is the owner of the Big Bang cottage.

Evaluate how managerial accounting relates to business decision-making

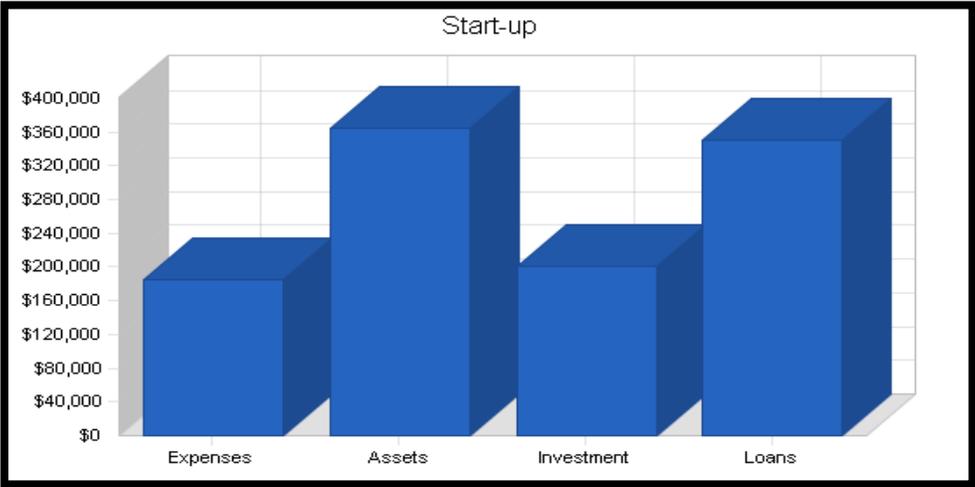
Management accounting gives the essential details to help management in decisions making and operational control. As per CIMA (Chartered Institute of Management Accountants) the Management Accounting is stated as: - the appliance of proficient details in a manner that it helps the management in the creation of strategies and in the planning and control of the procedures of the business (Finch, 2010). Management accounting has been seen to be a vital part of the management procedure, and management accountants have been envisaged as imperative strategic partners in the cottage's management team. As per Burke, & Walker (2013),

the management team tries to build value for the Cottage by management of resources, operations, and individuals to attain business goals efficiently. For this, the management at the cottage needs information which is used in the decision making procedure and in controlling functions. Therefore, Management accounting acts as a valuable resource for the management in providing the essential figures and information, together with recommendation and suggestions (Okonedo, 2013).

Apply cost estimation, analysis, and planning techniques for an organization

Start-up activities are the works which are needed to arrange a fresh company, initiate a new creation, etc. (Carr, Kolehmainen, & Mitchell, 2010). Fundamentally, the accounting for start-up acts is to cost them as spent. At the same time as the management is quite straightforward, the major concern is not to believe that other costs like the start-up expenses have to be treated in the identical manner (Olive, 2012).

The sole proprietor will put in \$100,000. Moreover, he will secure an SBA loan for \$100,000 and a loan to buy the possessions for \$250,000.



Start-up Funding ('00s)	
Start-up costs for funding (\$)	1,854
Start-up Assets for funding (\$)	3,646
Total Finances Needed (\$)	5,500

Assets	
Non-cash Assets from Start-up (\$)	3,500
Cash Needed from Start-up (\$)	146
Raised Cash (Additional) (\$)	-
Cash Balance on initiation Date (\$)	146
Total Assets (\$)	3,646
Liabilities and Capital	
Liabilities	
Current Borrowings (\$)	-
Long-term Liabilities (\$)	3,500
Accounts Payable (Outstanding Bills) (\$)	-
Other Current Liabilities (interest-free) (\$)	-
Total Liabilities (\$)	3,500
Capital Investment (\$)	2,000
Additional Investment Needs (\$)	-
Total Planned Investment (\$)	2,000
Loss at Start-up (Start-up costs) (\$)	(1,854)
Total Capital (\$)	1,46
Total Capital and Liabilities (\$)	3,646
Total Investments (\$)	5,500

Start-up	
Requirements	
Start-up Expenses ('00)	
Legal (\$)	50
Stationery etc. (\$)	4
Brochures (\$)	60
Rental Shop Setup (\$)	500
Property's first instalment (\$)	500
Lodge Setup (\$)	200

Store Setup (\$)	500
Insurances (\$)	40
Total Start-up Expenses (\$)	1,854
Start-up Assets (\$)	
Cash Required (\$)	146
Other Current Assets (\$)	0
Long-term Assets (\$)	3,500
Total Assets (\$)	3,646
Total Requirements (\$)	5,500

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> - Accessible location - Strong management of the resort - Inventive culture 	<ul style="list-style-type: none"> - Need more and more skills because sole proprietor cannot handle all work alone - Full dependency on the resorts
Opportunities	Threat
<ul style="list-style-type: none"> - Financial leverage - Emerging markets - Innovation and latest technology 	<ul style="list-style-type: none"> - Unpredictable currencies - Huge competition - Government regulations - Alterations in people's preferences - Bad economic conditions

Cottage's locations and provisions

The appeal and isolation of Bear Valley's private mountain surroundings is there only 36 miles away from the Richmond International Airport. Along with the above stated facilities, this cottage will have the provision of

- Food shop
- Skiing- hire/clothes shop
- Front desk facilities (*Advances in environmental accounting & management*, 2016)

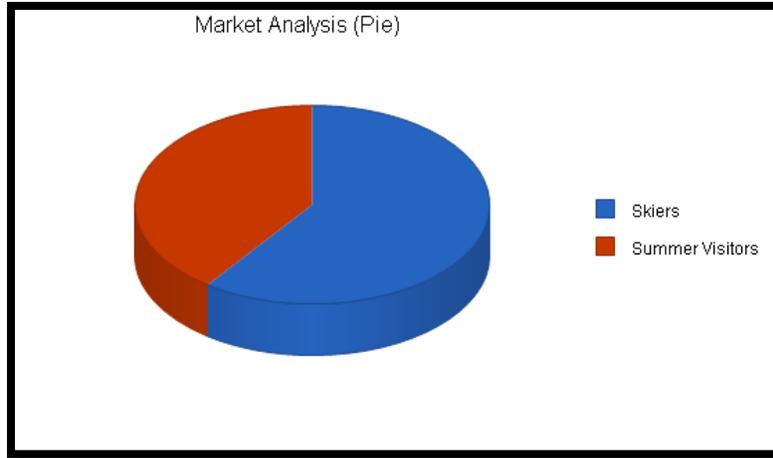
Market Analysis Summary

Resort hotel expansion and functioning in the Bear Valley Resort region has been extremely lucrative and flourishing because of the economic growth seen in the beginning and mid of 90's. Time-share / resort hotel growth and speculations into skiing- resorts countrywide are presently hale and hearty. In the precedent two years, revenues of time-shares inside the Bear Valley Resort region have improved by more than 35%. There are forty condominiums, cottages, hotels and bars inside the area of two miles from the resort. Per annum, the room occupancy is nearly 100% throughout the peak skiing time. A new building is intended to be built in the spring for two condo complexes in addition to a hotel.

Market Segmentation

The clients of the cottage can be largely segregated into two sets:

- **Skiers.** The Bear Valley Resort region is rapidly turning into of the most excellent skiing resorts in the U.S. The resort is situated 36 miles as of Richmond International Airport and is within reach.
- **Summer Guests.** In the summer months, the Bear Valley Resort region is an attractive backwaters retreat with more than 50 hiking tracks and different open-air leisure activities.



Market Analysis							
Potential Clients	Growth	Year 1	Year 2	Year 3	Year 4	Year 5	CAGR
Skiers	15%	90,000	103,500	119,025	136,879	157,411	15%
Summer Visitors	15%	60,000	69,000	79,350	91,253	104,941	15%
Total	15%	150,000	172,500	198,375	228,132	262,352	15%

Strategy and Implementation

Big Bang cottage will assertively market to both the guests of the Bear Valley Resort region - the ones who visit in winter and ones who visit in the summer season. The Bear Valley Resort has activities that take place all over the year. In the winter season, there will be skiing yet in the summer season, the resort has hot-air balloon tours, white water voyages, day hiking into Bear Valley, and different leisure acts that make the most of valley's stunning attractiveness.

There are just thirteen cottages and inns in this resort. These services show whole of 4,000 room units in this region. The common of room units within the region are condos. The targeted clients are ones who seek a unique lodging experience that can't be seen in other area's condo complexes or inns. The clients will be provided with a relaxing, friendly atmosphere that will guarantee recurring visits to the Big Bang cottage.

The cottage will be a bit costly yet would have all things which make the visits to be unforgettable. There will be a food shop that will be capable of taking individual orders every day. There will be a skiing hiring outlet where clients can get ready and buy ski passes. Every evening, visitors can get together in the lodge's main hall where there is a big inglenook, snacks and light music.

Competitive Edge

The competitive edge of Big Bang cottage is the facility, foremost and leading. The owner of the cottage has over 10 years of experience in management of ski lodging services. One more key benefit for the Big Bang cottage is its site. As it is situated in the lately started Crest Canyon region, Big Bang cottage is exclusively situated to be centrally situated to the two - Crest Lake Village (1/2 a mile) and the Bear Valley Resort ski region (1/2 a mile).

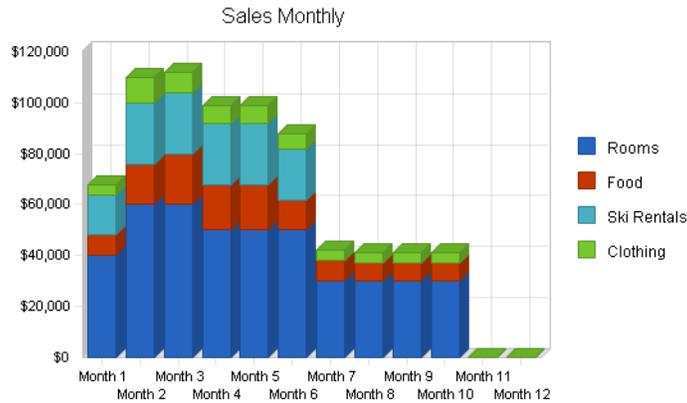
Accounting for start-ups is a key feature for this latest business plan ("Special issue of Management Accounting Research: Risk management, corporate governance and management accounting", 2006). On the primary date of operations, the cottage might observe the requirement for invoice creation, recording the incomes and expenses, and also the payroll management. Possessing a great accounting plan just owing to the entry will make it simpler for the managers to manage the investments, more willingly than fighting to come up to by retroactive recording once the business is in complete form.

It is significant that management accountants observe all the appropriate ratios while any decision is made. Management accountants have to possess skills for producing accurate investigation, correct forecasting and a separate and specialized outline of the performance of the business. These will pay out for the potential success of the ski business. The Management accountants lay stress on the predictions (Michalski, n.d.). They have a stimulating and progressive strategic responsibility in the start-ups and expanding businesses. They apply a variety of instruments, like the ratio analysis and investment assessment, to recognize, determine and scrutinize the financial performance of the business.

Sales Strategy

The Big Bang cottage's sales scheme is to tie together the active Bear Valley Resort booking method that has been important to the victory of all of the region's cottages and lodges. The rates for the cottage will be in the range of \$150 - \$250 for each night in peak period. During the off season prices will be in the range of \$100 to \$175 for each night.

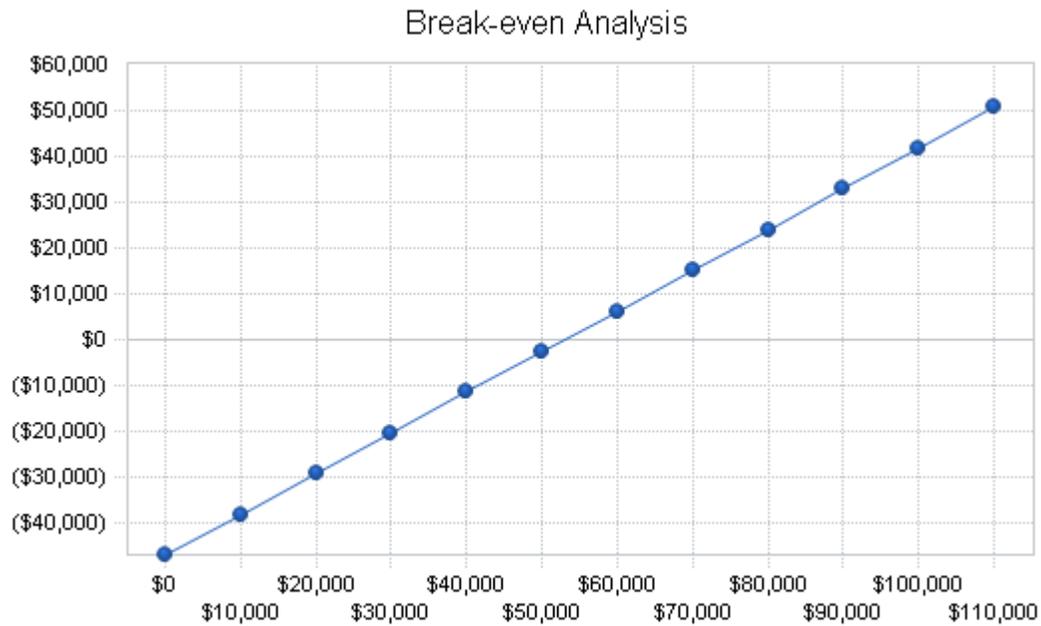
The forecasted sale for the three years is as below:



Sales Forecast ('00)			
	Year 1	Year 2	Year 3
Rooms rentals	\$4300	\$5600	\$6000
Food	\$1210	\$1400	\$1800
Ski Rentals	\$1320	\$1450	\$1600
Cloth hiring	\$580	\$700	\$820
Sales	\$7410	\$9150	\$10220
Direct Cost of Sales	Year 1	Year 2	Year 3
Rooms	-	-	-
Food	\$595	\$710	\$900
Ski Rentals	-	-	-
Cloth hiring	\$237	\$300	\$380
Sub-total Direct Cost of Sales	\$832	\$1010	\$1280

Break-even Analysis

The monthly break-even level is around \$52,900.



The month by month Revenue Break-even: \$52,905

Suppositions:

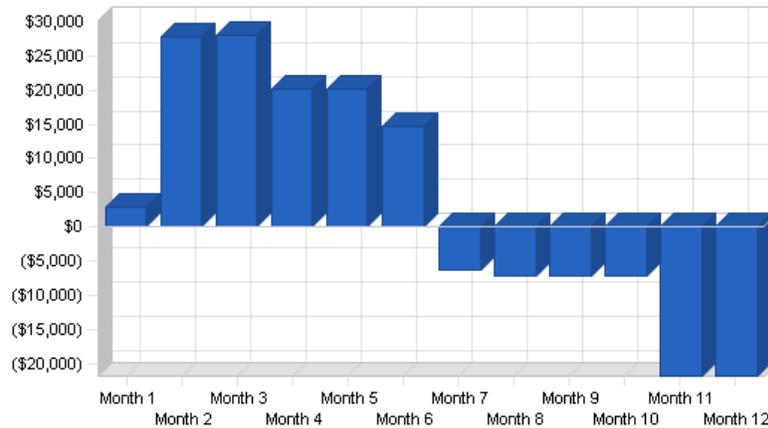
Average Variable Cost (in %) 11%

Approximate Fixed Cost (Monthly) \$46,965

CVP analysis

The expected profits for the business for next three years are:

Profit Monthly



Pro Forma Profit and Loss			
	Year 1	Year 2	Year 3
Sales	\$741,000	\$915,000	\$1,022,000
Direct Cost of Sales	\$83,200	\$101,000	\$128,000
Other Production Expenses	\$0	\$0	\$0
Total Cost of Sales	\$83,200	\$101,000	\$128,000
Gross Margin	\$657,800	\$814,000	\$894,000
Gross Margin %	88.77%	88.96%	87.48%
Expenses			
Payroll	\$382,000	\$414,000	\$438,000
Sales and Marketing and Other Expenses	\$60,000	\$80,000	\$100,000
Depreciation	\$14,280	\$14,280	\$14,280
Leased Equipment	\$0	\$0	\$0
Utilities	\$26,000	\$26,000	\$26,000
Insurance	\$24,000	\$24,000	\$24,000
Lease	\$0	\$0	\$0
Payroll Taxes	\$57,300	\$62,100	\$65,700
Other	\$0	\$0	\$0
Total Operating Expenses	\$563,580	\$620,380	\$667,980
Profit Before Interest and Taxes	\$94,220	\$193,620	\$226,020
EBITDA	\$108,500	\$207,900	\$240,300
Interest Expense	\$33,375	\$30,500	\$27,500
Taxes Incurred	\$18,254	\$48,936	\$59,556
Net Profit	\$42,592	\$114,184	\$138,964
Net Profit/Sales	5.75%	12.48%	13.60%

Estimated Balance Sheet

Pro Forma Balance Sheet			
	Year 1	Year 2	Year 3
Assets			
Current Assets			
Cash	\$31,437	\$118,555	\$165,584
Other Current Assets	\$14,000	\$32,000	\$53,000
Total Current Assets	\$45,437	\$150,555	\$218,584
Long-term Assets			
Long-term Assets	\$350,000	\$370,000	\$430,000
Accumulated Depreciation	\$14,280	\$28,560	\$42,840
Total Long-term Assets	\$335,720	\$341,440	\$387,160
Total Assets	\$381,157	\$491,995	\$605,744
Liabilities and Capital	Year 1	Year 2	Year 3
Current Liabilities			
Accounts Payable	\$3,965	\$30,619	\$35,405
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$3,965	\$30,619	\$35,405
Long-term Liabilities	\$320,000	\$290,000	\$260,000
Total Liabilities	\$323,965	\$320,619	\$295,405
Paid-in Capital	\$200,000	\$200,000	\$200,000
Retained Earnings	(\$185,400)	(\$142,809)	(\$28,625)
Earnings	\$42,592	\$114,184	\$138,964
Total Capital	\$57,192	\$171,376	\$310,340
Total Liabilities and Capital	\$381,157	\$491,995	\$605,744
Net Worth	\$57,192	\$171,376	\$310,340

Conclusion

Accounting for start-ups can be complicated, yet possessing a great plan is significant for starting a flourishing new business (Okonedo, 2010). A business owner will have a job of making significant financial decisions forthright, thus educating one on the abovementioned accounting fundamentals will demonstrate to be crucial when it is regarding the flourishing functioning of the new start-up (Nielsen, Mitchell, & Nørreklit, 2015).

To sum up, management accounting is indispensable in making tactical plans. The intention of management accounting is to make internal users aware of the source to create well-informed business decisions (Nixon, & Burns, 2012). Management accounting information is normally not explicitly reported and is go-ahead for the business in spite of the historical information. It is well-known in literature that management accounting lays stress on the

information that management needs for particular intra firm resource allotment and it is a use of suitable methods and conceptions in dealing out past and projected economic information of a firm to assist management to lay out plans for logical economic aims and for making reasonable decisions.

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