

Constructing statement of cash flows and analyses



**ASSIGN
BUSTER**

Contents

- Business Liquidity

The Metropolitan Hotel in Vancouver, British Columbia, Canada, is one of the best hotels in the area. The hotel has friendly and helpful staff, rooms of good size that are well maintained, and is quite and very comfortable. The current management of the hotel needs to assess its performance so as to come up with efficient ways to improve its operations. The assessment will consist of a full absolute and percentage comparative horizontal analyses of the balance sheet and income statements, preparation of the cash flow statement, and summary of the financial position and performance achievement of the hotel.

Absolute and Percentage Comparative Horizontal Analysis

Balance Sheet

| | Period | | Change | |
|---------------------|---------------|---------------|------------|---------|
| | Year 2 | Year 1 | Absolute | Percent |
| Current Assets | | | | |
| Cash | \$1, 032, 204 | \$470, 880 | \$561, 324 | 119. 21 |
| Inventories | \$1, 779, 525 | \$1, 285, 792 | \$493, 733 | 38. 40 |
| Accounts Receivable | \$1, 030, | \$1, 000, | \$30, 449 | 3. 04 |

| | 806 | 357 | | |
|----------------------------------|----------------|----------------|---------------|----------|
| Restricted Cash | \$191, 828 | \$983, 098 | \$(791, 270) | (80. 49) |
| Cash from Borrowing | \$88 | \$63, 550 | \$(63, 462) | (99. 86) |
| Total Current Assets | \$4, 034, 452 | \$3, 803, 676 | \$230, 776 | 6. 07 |
| Long Term Assets | | | | |
| Building Property & Equipment | \$35, 000, 000 | \$35, 000, 000 | - | - |
| Plus: Building Capital Additions | \$2, 956, 000 | \$2, 156, 000 | \$800, 000 | 37. 11 |
| Less: Building Depreciation | \$3, 735, 137 | \$2, 489, 440 | \$1, 245, 697 | 50. 04 |
| FF&E Property & Equipment | \$5, 000, 000 | \$5, 000, 000 | - | - |
| Plus: FF&E Capital Additions | \$3, 299, 500 | \$1, 239, 500 | \$2, 060, 000 | 166. 20 |
| Less: FF&E Depreciation | \$1, 267, 815 | \$773, 205 | \$494, 610 | 63. 97 |
| Net Long Term Assets | \$41, 252, | \$40, 132, | \$1, 119, | 2. 79 |

| | | | | |
|-----------------------------|----------------|----------------|---------------|---------|
| | 548 | 855 | 693 | |
| Total Assets | \$45, 287, 000 | \$43, 936, 532 | \$1, 350, 468 | 3. 07 |
| Current Liabilities | | | | |
| Accounts Payable | \$253, 098 | \$251, 653 | \$1, 445 | 0. 57 |
| Taxes Payable | \$0 | \$0 | - | - |
| Total Current Liabilities | \$253, 098 | \$251, 653 | \$1, 445 | 0. 57 |
| Long Term Liabilities | | | | |
| Bank loan | \$14, 744, 182 | \$15, 111, 487 | \$(367, 305) | (2. 43) |
| Total Long Term Liabilities | \$14, 744, 182 | \$15, 111, 487 | \$(367, 305) | (2. 43) |
| Owners' Equity | | | | |
| Share Capital | \$15, 000, 000 | \$15, 000, 000 | - | - |
| Retained Earnings | \$15, 289, 721 | \$13, 573, 392 | \$1, 716, 329 | 12. 64 |
| Total Owners Equity | \$30, 289, 721 | \$28, 573, 392 | \$1, 716, 329 | 6. 01 |

| | | | | |
|----------------------------|--------------|--------------|-----------|------|
| Total Liabilities & Equity | \$45,287,000 | \$43,936,532 | 1,350,468 | 3.07 |
|----------------------------|--------------|--------------|-----------|------|

Income Statement

| | Year 2 | Year 1 | Absolute | Percent |
|-----------------------|--------------|--------------|------------|---------|
| Revenue | | | | |
| Rooms | \$10,442,567 | \$10,278,614 | \$163,953 | 1.60 |
| Food & Beverage | \$3,678,007 | \$3,717,675 | (\$39,668) | (1.07) |
| Other Departments | \$1,164,806 | \$1,199,649 | (\$34,843) | (2.90) |
| Total Revenue | \$15,285,379 | \$15,195,938 | \$89,441 | 0.59 |
| Departmental Expenses | | | | |
| Rooms | \$3,072,862 | \$2,702,012 | \$370,850 | 13.72 |
| Food & Beverage | \$2,713,515 | \$2,643,836 | \$69,679 | 2.64 |
| Other Departments | \$742,402 | \$549,636 | \$192,766 | 35.07 |
| Total Expenses | \$6,528,779 | \$5,895,484 | \$633,295 | 10.74 |

| | | | | |
|-----------------------------------|-------------|-------------|-------------|---------|
| | 779 | 484 | | |
| Total Departmental Profit | \$8,756,600 | \$9,300,453 | (\$543,853) | (5.85) |
| Undistributed Expenses | | | | |
| Marketing & Sales | \$1,700,580 | \$1,424,370 | \$276,210 | 19.39 |
| Administrative & General | \$1,799,419 | \$1,798,288 | \$1,131 | 0.06 |
| Property Operations & Maintenance | \$562,350 | \$546,075 | \$16,275 | 2.98 |
| Total Undistributed Expenses | \$4,062,349 | \$3,768,733 | \$293,616 | 7.79 |
| Gross Operating Profit | \$4,694,251 | \$5,531,720 | (\$837,469) | (15.14) |
| Less: Management Fee | | | | |
| Base Fee | \$305,708 | \$303,919 | \$1,789 | 0.59 |
| Incentive Fee | \$328,598 | \$387,220 | (\$58,622) | (15.14) |
| Income Before Fixed Charges | \$4,059,946 | \$4,840,581 | (\$780,635) | (16.13) |

Fixed Charges

| | | | | |
|--------------------------------|---------------|---------------|--------------|----------|
| Property Taxes | \$240, 000 | \$240, 000 | - | - |
| Insurance | \$120, 000 | \$120, 000 | - | - |
| Property Depreciation Building | \$1, 245, 697 | \$1, 241, 387 | \$4, 310 | 0. 35 |
| Property Depreciation FF&E | \$494, 611 | \$394, 500 | \$100, 111 | 25. 38 |
| Total Fixed Charges | \$2, 100, 307 | \$1, 995, 887 | \$104, 420 | 5. 23 |
| Net Operating Income | \$1, 959, 638 | \$2, 844, 693 | (\$885, 055) | (31. 11) |
| Other Income | \$328, 800 | \$204, 800 | \$124, 000 | 60. 55 |
| Total Income | \$2, 288, 438 | \$3, 049, 493 | (\$761, 055) | (24. 96) |
| Income Tax | \$572, 110 | \$762, 373 | (\$190, 263) | (24. 96) |
| Net Profit | \$1, 716, 329 | \$2, 287, 120 | (\$570, 791) | (24. 96) |

Comparative Vertical Analysis

Balance Sheet

| Year 2 | Percent | Year 1 | Percent |
|--------|---------|--------|---------|
|--------|---------|--------|---------|

Current Assets

| | | | | |
|----------------------|-------------|---------|-------------|------|
| Cash | \$1,032,204 | 2.28 | \$470,880 | 1.07 |
| Inventories | \$1,779,525 | 3.93 | \$1,285,792 | 2.93 |
| Accounts Receivable | \$1,030,806 | 2.28 | \$1,000,357 | 2.28 |
| Restricted Cash | \$191,828 | 0.42 | \$983,098 | 2.24 |
| Cash from Borrowing | \$88 | 0.00019 | \$63,550 | 0.14 |
| Total Current Assets | \$4,034,452 | 8.91 | \$3,803,676 | 8.66 |

Long Term Assets

| | | | | |
|----------------------------------|--------------|-------|--------------|-------|
| Building Property & Equipment | \$35,000,000 | 77.29 | \$35,000,000 | 79.66 |
| Plus: Building Capital Additions | \$2,956,000 | 6.53 | \$2,156,000 | 4.91 |
| Less: Building Depreciation | \$3,735,137 | 8.25 | \$2,489,440 | 5.67 |
| FF&E Property & Equipment | \$5,000,000 | 11.04 | \$5,000,000 | 11.38 |

| | | | | |
|------------------------------|----------------|--------|----------------|--------|
| | | | 000 | |
| Plus: FF&E Capital Additions | \$3, 299, 500 | 7. 29 | \$1, 239, 500 | 2. 82 |
| Less: FF&E Depreciation | \$1, 267, 815 | 2. 80 | \$773, 205 | 1. 76 |
| Net Long Term Assets | \$41, 252, 548 | 91. 09 | \$40, 132, 855 | 91. 34 |
| Total Assets | \$45, 287, 000 | 100 | \$43, 936, 532 | 100 |
| Current Liabilities | | | | |
| Accounts Payable | \$253, 098 | 0. 55 | \$251, 653 | 0. 57 |
| Taxes Payable | \$0 | - | \$0 | - |
| Total Current Liabilities | \$253, 098 | 0. 55 | \$251, 653 | 0. 57 |
| Long Term Liabilities | | | | |
| Bank loan | \$14, 744, 182 | 32. 56 | \$15, 111, 487 | 34. 39 |
| Total Long Term Liabilities | \$14, 744, 182 | 32. 56 | \$15, 111, 487 | 34. 39 |
| Owners' Equity | | | | |
| Share Capital | \$15, 000, | 33. 12 | \$15, 000, | 34. 14 |

| | 000 | | 000 | |
|----------------------------|--------------|-------|--------------|-------|
| Retained Earnings | \$15,289,721 | 33.76 | \$13,573,392 | 30.89 |
| Total Owners Equity | \$30,289,721 | 66.88 | \$28,573,392 | 65.03 |
| Total Liabilities & Equity | \$45,287,000 | 100 | \$43,936,532 | 100 |

Income Statement

| | Year 2 | | Year 1 | |
|-----------------------|-------------|---------|-------------|---------|
| | Amount (\$) | Percent | Amount (\$) | Percent |
| Revenue | | | | |
| Rooms | 10,442,567 | 68.32 | 10,278,614 | 67.64 |
| Food & Beverage | 3,678,007 | 24.06 | 3,717,675 | 24.47 |
| Other Departments | 1,164,806 | 7.62 | 1,199,649 | 7.89 |
| Total Revenue | 15,285,379 | 100 | 15,195,938 | 100 |
| Departmental Expenses | | | | |
| Rooms | 3,072,862 | 20.10 | 2,702,012 | 17.78 |

| | | | | |
|-----------------------------------|-------------|--------|-------------|--------|
| Food & Beverage | 2, 713, 515 | 17. 75 | 2, 643, 836 | 17. 40 |
| Other Departments | 742, 402 | 4. 86 | 549, 636 | 3. 62 |
| Total Expenses | 6, 528, 779 | 42. 71 | 5, 895, 484 | 38. 80 |
| Total Departmental Profit | 8, 756, 600 | 57. 29 | 9, 300, 453 | 61. 20 |
| Undistributed Expenses | | | | |
| Marketing & Sales | 1, 700, 580 | 11. 13 | 1, 424, 370 | 9. 32 |
| Administrative & General | 1, 799, 419 | 11. 77 | 1, 798, 288 | 11. 83 |
| Property Operations & Maintenance | 562, 350 | 3. 68 | 546, 075 | 3. 59 |
| Total Undistributed Expenses | 4, 062, 349 | 26. 58 | 3, 768, 733 | 24. 80 |
| Gross Operating Profit | 4, 694, 251 | 30. 71 | 5, 531, 720 | 36. 40 |
| Less: Management Fee | | | | |
| Base Fee | 305, 708 | 2. 00 | 303, 919 | 2. 00 |
| Incentive Fee | 328, 598 | 2. 15 | 387, 220 | 2. 55 |
| Income Before Fixed Charges | 4, 059, 946 | 26. 56 | 4, 840, 581 | 31. 85 |
| Fixed Charges | | | | |
| Property Taxes | 240, 000 | | | |