S6 Tourism and Hospitality Practice Paper (Set 2): visitor arrivals and source markets, hotel room rate, package tour costing, exchange rate, restaurant margin

Level: S6 | Subject: Tourism and Hospitality Studies | Time: 75 min | Total: 100 marks | Items: 24

Question 1: Visitor arrivals and source-market mix (17 marks)

The table shows visitor arrivals to a destination in a given year (thousands).

1. Arrivals were: Mainland 2,670, short-haul Asia 1,140, long-haul 690. Find total arrivals (thousands). (4 marks)

Answer: Total = 2,670 + 1,140 + 690 = 4,500 (thousand).

2. Find the Mainland share of total arrivals (1 decimal place). (4 marks)

Answer: Share = 2,670 / 4,500 x 100 = 59.3%.

3. Find the ratio of short-haul Asia to long-haul arrivals (2 decimal places). (4 marks)

Answer: Ratio = 1,140 / 690 = 1.65, i.e. 1.65 : 1.

4. Suppose next year total arrivals rise by 8% while the Mainland share falls to 55%. Find Mainland arrivals and the change from this year. (5 marks)

Answer: Total = 4,500 x 1.08 = 4,860; Mainland = 4,860 x 0.55 = 2,673 (thousand); change = 2,673 - 2,670 = 3 (thousand), i.e. +0.11%.

Question 2: Hotel room rate, occupancy and RevPAR (17 marks)

A hotel has 400 rooms. Average daily rate (ADR) is HK$1,250 and annual occupancy is 78%.

5. Find the number of rooms sold per night and the nightly room revenue. (4 marks)

Answer: Rooms sold = 400 x 0.78 = 312; revenue = 312 x 1,250 = HK$390,000.

6. Find RevPAR and its gap from ADR. (4 marks)

Answer: RevPAR = ADR x occupancy = 1,250 x 0.78 = HK$975; gap = 1,250 - 975 = HK$275.

7. Find total annual room revenue. (4 marks)

Answer: Annual = 390,000 x 365 = HK$142,350,000.

8. The hotel considers raising occupancy to 85% while cutting ADR to HK$1,150. Find the new RevPAR and the percentage change, and comment on whether the strategy is worthwhile. (5 marks)

Answer: New RevPAR = 1,150 x 0.85 = HK$978; change = (978 - 975) / 975 x 100 = +0.26%. RevPAR is almost unchanged while rooms sold rise from 312 to 340. If marginal cost per occupied room (housekeeping, breakfast, utilities) exceeds HK$100, the trade is not worthwhile; otherwise extra restaurant and ancillary spending may justify it.

Question 3: Package tour costing and mark-up pricing (16 marks)

A travel agent designs a 4-day package. Cost per passenger (HK$): air ticket 3,200, hotel 4 nights at 780 per night, meals 900, transfers 380, guide share 250, insurance 120.

9. Find the hotel cost per passenger and the total cost per passenger. (4 marks)

Answer: Hotel = 4 x 780 = HK$3,120; total = 3,200 + 3,120 + 900 + 380 + 250 + 120 = HK$7,970.

10. If priced at a 18% mark-up on cost, find the tour price (2 decimal places). (4 marks)

Answer: Price = 7,970 x 1.18 = HK$9,404.60.

11. Find the gross profit per passenger and gross profit as a percentage of the price (2 decimal places). (4 marks)

Answer: Gross profit = 9,404.60 - 7,970 = HK$1,434.60; as % of price = 1,434.60 / 9,404.60 x 100 = 15.25%.

12. If the guide fee becomes a fixed HK$9,600 per group instead of a per-person share, for a group of 24 passengers find the cost per passenger and the price at the same mark-up. (4 marks)

Answer: Variable cost = 7,970 - 250 = HK$7,720; cost per passenger = 7,720 + 9,600 / 24 = HK$8,120.00; price = 8,120.00 x 1.18 = HK$9,581.60. The more passengers, the thinner the fixed fee per head.

Question 4: Exchange rate movements and inbound tourism (17 marks)

The local currency rises from 1 unit = 0.128 USD to 1 unit = 0.135 USD. A US tourist budgets US$3,000.

13. Before the appreciation, how much local currency could the tourist obtain (2 decimal places)? (4 marks)

Answer: Local currency = 3,000 / 0.128 = 23,437.50.

14. After the appreciation, how much local currency (2 decimal places)? (4 marks)

Answer: Local currency = 3,000 / 0.135 = 22,222.22.

15. Find the change in local currency obtained and its percentage change (2 decimal places). (4 marks)

Answer: Change = 22,222.22 - 23,437.50 = -1,215.28; percentage = -1,215.28 / 23,437.50 x 100 = -5.19%.

16. A hotel room costs 1,800 in local currency. Find the USD price before and after appreciation, the percentage change, and explain the effect on inbound demand. (5 marks)

Answer: Before = 1,800 x 0.128 = US$230.40; after = 1,800 x 0.135 = US$243.00; change = 5.47%. The same room is dearer for US travellers, so inbound demand (especially price-sensitive free independent travellers) falls; travellers may shorten stays or switch destination.

Question 5: Restaurant food cost and contribution margin (16 marks)

A restaurant has food cost HK$68 per cover and a selling price of HK$168, with 320 covers a day. Labour is HK$9,600 per day and rent is HK$38,000 per month (30 days a month).

17. Find the food cost percentage (2 decimal places) and gross profit per cover. (4 marks)

Answer: Food cost % = 68 / 168 x 100 = 40.48%; gross profit per cover = 168 - 68 = HK$100.

18. Find the daily total food gross profit. (4 marks)

Answer: Daily = 100 x 320 = HK$32,000.

19. Find the daily rent apportionment and the daily operating profit (2 decimal places). (4 marks)

Answer: Daily rent = 38,000 / 30 = HK$1,266.67; operating profit = 32,000 - 9,600 - 1,266.67 = HK$21,133.33.

20. Find the monthly operating profit, the daily break-even covers (rounded up) and the margin of safety. (4 marks)

Answer: Monthly = 32,000 x 30 - 9,600 x 30 - 38,000 = HK$634,000; break-even covers = (9,600 + 1,266.67) / 100 = 108.67, i.e. 109 covers; margin of safety = (320 - 108.67) / 320 x 100 = 66.04%.

Question 6: Carrying capacity, visitor quota and sustainability (17 marks)

A country-park site receives 1800 visitors a day; estimated carrying capacity is 1500 visitors a day. Each ferry carries 300 passengers and runs 40 trips a day. Average spending is HK$420 per visitor.

21. Find the utilisation of carrying capacity and the number of excess visitors a day. (4 marks)

Answer: Utilisation = 1800 / 1500 x 100 = 120.0%; excess = 1800 - 1500 = 300 visitors.

22. Find the cumulative excess visits over a 90-day peak season. (4 marks)

Answer: Cumulative = 300 x 90 = 27,000 visits.

23. Find the ferry daily capacity and the current load factor. (4 marks)

Answer: Capacity = 300 x 40 = 12,000; load factor = 1800 / 12,000 x 100 = 15.0%.

24. The site plans a daily quota of 1500 visitors. Find the percentage cut required, the visitor spending forgone per day and over a 90-day season, and comment on whether the quota is worthwhile. (5 marks)

Answer: Cut = 300 / 1800 x 100 = 16.67%; daily spending forgone = 300 x HK$420 = HK$126,000; over 90 days = HK$11,340,000. A quota brings utilisation back to 100%, reducing trampling, litter and soil erosion, and protects the site attraction in the long run; in the short run it forfeits tourism receipts and related jobs. If booking-based dispersal and higher spend per visitor (guided eco-tours) offset the loss, the quota is worthwhile.

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