

## Spreadsheet Case 4

### Slopeside Condominiums

Problem: Analyze cash flow of a condominium hotel

Management skills: Planning  
Deciding

PC skills: Formulas  
Spreadsheet control  
Reporting

File: SLOPE\_Q.XLS

Slopeside Condominiums is a 100-unit condominium complex in north-central Vermont, situated near several major ski areas. It operates as a hotel-condominium, renting out units that owners are not using through a rental office.

In most years, the complex returns a small profit each year to the owners. But there are many expenses involved in running a hotel-condominium--expenditures for electricity, heat, insurance, and maintenance staff, to name a few. At times Slopeside's manager, John Watts, has found that Slopeside has been short of cash for paying the bills.

Slopeside needs to develop a plan for managing its cash flow. In some respects, a business's cash flow is more important than its profit. If a firm can't pay its employees or suppliers or collect from its customers it may not survive long enough to generate a profit.

One way of analyzing and forecasting cash flow is to use a "cash receipts and disbursements" forecast, which estimates the amount of each category of cash receipts and disbursements. This enables businesses to track actual cash movements on a daily, weekly or monthly basis.

Essentially this type of cash flow forecast shows projected cash inflow and outflow and subtracts the outflow from the inflow. From your data diskette load the file SLOPE\_Q.XLS, showing the various categories of receipts and disbursements for Slopeside Condominiums and the hotel-condominium's beginning cash on hand. (Beginning cash on hand may be cash in the checking account or other bank accounts.)

Cash inflow or outflow can be determined by subtracting total disbursements from total receipts. This resulting amount (which may be positive or negative) must then be added to cash on hand at the beginning of the period to arrive at an ending cash figure. This ending cash figure in turn becomes the beginning cash figure for the next period.

From past experience, Watts has determined the average occupancy rate for various months of the year. The occupancy rate is highest during the ski season, summer months, and during September, when visitors flock to Vermont to witness the changing fall foliage. Watts can estimate monthly room receipts by multiplying the daily unit rental receipts by the number of days in the month, and the average occupancy rate for that month. The daily unit rental receipts are

\$7800 and represent the amount of receipts if all available units were rented. Slopeside also receives \$8000 per month in commons fees paid by the owners for insurance and upkeep.

Watts has also come up with formulas for estimating other receipts and disbursements. Some of these are variable, and related to the occupancy rate at the hotel-condominium. Watts has figured that expenditures for telephone usage are approximately 5% of room receipts. Expenditures for room upkeep are approximately 30% of room receipts.

Other expenses are not related to occupancy rates. On an annual basis, Slopeside pays \$18,500 for insurance; \$275,000 in payroll for the manager, office, cleaning, and maintenance staff; \$25,000 for marketing and advertising; and \$250,000 for repairs and maintenance. Since furniture and appliances are constantly being damaged, Slopeside pays \$6000 per month into a furniture reserve fund. Slopeside also pays between \$4400 and \$9500 per month for utilities and fuel. Insurance is paid in one installment every May. All other expenditures are paid on a monthly basis.

### **Tasks**

There are 4 tasks in this case:

1. Print out and review SLOPE\_Q.XLS.
2. Create an assumptions section of the worksheet to identify factors in your calculations of receipts and disbursements. Make sure formulas reference cells in the assumptions section wherever possible.
3. Calculate the receipts and disbursements for each of the categories on the worksheet for 12 months. Calculate total receipts and total disbursements. The case has been simplified so that all revenue is collected in the month it is generated.
4. Complete the cash flow worksheet by calculating the ending cash for each month and print the results. Write an analysis of the cash flow situation for Slopeside Condominiums. What explains the negative cash flows in certain months? What steps can Slopeside take to eliminate cash flow crises?

### **Additional Problem**

Slopeside has decided to open up a small restaurant for serving breakfast and lunch. Management thinks that receipts from the restaurant would be 15% of room receipts, while expenditures for food and beverages would run about 8% of room receipts. One extra employee would have to be hired at an annual salary of \$20,000 to prepare the food, but the current staff could help set up and wait on tables. Modify your worksheet to show the impact on Slopeside's cash flow. Is the restaurant a good idea?

### **Time Estimates**

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Expert: 45 minutes  
Intermediate: 1.5 hours  
Novice: 2 hours

There is no tutorial for this case because it uses spreadsheet software skills introduced in earlier chapters.