Decision-making guide
Table of Contents

1. About Cesim ................................................................. 1
  1.1. General ......................................................... 1
  1.2. Cesim products ............................................... 1
  1.3. Contact Cesim ................................................ 1

2. Simulation Platform Introduction ........................................ 2
  2.1. General User-Interface Options ...................... 2
  2.2. Home Page .................................................... 3
  2.3. Decision Checklist ........................................... 3
  2.4. Decision Areas ................................................. 5
  2.5. Results ............................................................ 6
  2.6. Schedule ......................................................... 7
  2.7. Teams area ...................................................... 8
  2.8. Materials ......................................................... 9
  2.9. Forums ............................................................ 10

3. Cesim OnService ............................................................ 11
  3.1. What is Cesim OnService? ............................. 11

4. Students’ Decision-making ............................................. 12
  4.1. Decision-making flow ..................................... 12
  4.2. Decision making ............................................... 12
  4.3. Market outlook ............................................... 13
  4.4. Sales ............................................................... 14
    4.4.1. The advance sales .................................. 14
    4.4.2. Sales for this period ............................... 15
  4.5. Operations ....................................................... 16
    4.5.1. Facilities .................................................. 16
    4.5.2. Cost saving efforts for increasing cost efficiency ................................. 17
    4.5.3. Personnel ................................................. 17
    4.5.4. Recruitment and lay off costs .................. 17
  4.6. Financing ........................................................ 18
    4.6.1. Key figures .............................................. 18
    4.6.2. Calculation of key financial ratios: ........... 19

5. Interpreting the results .................................................... 20
  5.1. Winning Criterion ............................................ 20
  5.2. Market report ................................................ 21
  5.3. Operations report .......................................... 22
  5.4. Income statement .......................................... 23
  5.5. Balance sheet ................................................. 24
  5.6. Cash flow statement ....................................... 26
Chapter 1. About Cesim

1.1. General

Cesim provides corporations, universities, and other educational institutions easy-to-use and cost-effective business simulations that can be integrated in various business courses. Headquartered in Finland since 1996, we operate globally through our own offices and partner network.

1.2. Cesim products

Cesim offers four types of simulations to educational institutions:

- **Cesim Global Challenge®**
  An on-line simulation designed for strategy and international business studies. It develops students' understanding of the complexity of global business operations in a dynamic, competitive environment.

- **SimBrand**
  An on-line marketing management simulation that develops students' understanding of the marketing decision-making process as a whole, with particular emphasis on profitability.

- **OnService**
  An on-line services management simulation that helps students to practice and learn service business success factors in a Small to Medium sized Enterprise (SME) environment.

- **Hospitality**
  An on-line hospitality simulation that helps students to practice and learn about small scale hotel and restaurant operations.

- **SimFirm**
  An entry level on-line simulation designed to develop understanding on how decisions in different functions of a company attribute to overall success in a competitive, international business environment.

Simulations can be conducted in a few days or over an entire semester. The number of simulation rounds, schedules, and team structures can be adjusted even after the course has started.

1.3. Contact Cesim

Cesim Oy
Arkadiankatu 21 A
00100 Helsinki
Finland
tel. +358 9 406 660
http://www.cesim.com/
finland@cesim.com

v1.71
Chapter 2. Simulation Platform Introduction

2.1. General User-Interface Options

1. My Info – Through this page, you can personalize your Cesim player account by adding personal data about yourself, as well as a picture, which will then be shown in various part of the user interface. You can also change your password here, or even your email. On the bottom of the page, there are two checkboxes for determining when you wish to receive automated email notifications.

It is highly recommended that all students use valid emails here, as otherwise they could miss important information during the game. Also, the "Forgot my password" feature works through email, making password recovery impossible through an invalid email address.

2. Support – This is your best way to reach the Cesim Support team, should you run into problems or issues relating to the game functionality. Please note that for any content related questions, you should primarily contact your instructor.

3. Change Language – You will find a list of supported languages for the game here. You can change the user interface language at any point of the game.
2.2. Home Page

1. Player Information

2. Email function – Use this to easily reach your team members and instructor through emails. An easy to use checkbox allows you to choose which team members you want to reach.

3. This panel shows all the important on-going data of the course. On the top you see the main indicators of the last round. Below it, you will find information about round deadlines, forums messages and quizzes.

4. Team Decision Log – This feature allows you to see the decision making actions done by the team members. Please note the "Show all rounds" and "More" buttons below the panel. By default, you only see the current round latest decision saving action. Using the additional buttons, you can expand the panel to show all rounds, and every decision saving action made during any of the rounds. Also note that decisions made while in the team decision column (more on this in the Decision Checklist part of the guide) will not be recorded in detail, only as “The team’s decisions were modified by…”.

2.3. Decision Checklist

Cesim simulations offer the user an innovative decision making area, through which the team members have a high level of control over the decision making process. The “Decision Checklist” is split into two general sections: The individual “Student Decision Areas”, and the “Team Decision Area”. Please note, that once the round deadline has passed, the round results will be calculated only based on the Team Decision Area. During each round of the game, you can easily identify changes already made by the highlighted cells on the checklist.
The Decision Checklist offers several tools to manage the decision making process, which are explained below.

1. Round drop-menu: Use the indicated drop-down menu to select the desired round. You may select previous rounds in order to review the decisions made during the rounds, however modifications will be disabled.

2. The "Go" button allows a player to move to another team member's decision making area, or the join team decision making area. Use caution, as any modifications will be automatically recorded on their respective area. Any modifications made directly in the team decision area will be used as final decisions when the round ends, if no further actions are taken.

3. The "Copy" button copies a player's decisions from the student area to the team area. Once copied, the previous set of decisions cannot be recovered. Decisions can be copied from Student Area to Team Area as many times as needed, before the round deadline. Please note that if decisions are made directly into the team decision column, then no additional steps need to be taken, as they will be automatically used for result calculation when the round ends.

4. The "Import" button, found on top of every decision area, transfers the decisions from the Team- or Student Area to the importing players own Student Area. Once imported, the original decisions of the importing player cannot be recovered. The decisions on the player that are being imported from will not be changed in any way.

5. The budget for the round shows the estimated profits based on the current decisions, as well as the "change in sales %" comparable to the previous comparable round.
2.4. Decision Areas

The Decision Area is split into several theme based sub-categories (e.g. Demand, Production, etc.). Please refer to your decision making manual to determine where the decision making process should begin, and what the suggested order of the process is. Some areas should be filled out first, as the effect of those areas may influence some calculations and estimates elsewhere.

The actual decisions are entered into dedicated fields within their respective areas. There are three general types of decision making fields:

1. In the white cells you enter your decisions.

2. In the highlighted cells, you enter estimates of your sales, personnel turnover and so on. These estimates act as a basis for the budgets shown in the system.

3. Drop-down menus are used in certain decisions where there are some specific options to choose from.

The system automatically updates the budgets and calculations as you make decisions.

It is important to note that there are two decision making areas. The first one is the Student Decision Making Area. Each team member has their own personal decision making area, where they can freely input any figures they want to see the effects they have on the projected results. The students always start on their own student area by default, when logging into the game. After satisfactory decisions have been made on the student area, they can easily be copied over to the second area type, the Team Decision Making Area, through use of the "Copy" button. Once copied, the decision set will be used to calculate the rounds results.
Alternatively, decisions can be made directly into the team area. To do this, a team member can move to the Team Area through use of the "Go" button. Any changes here are automatically recorded, and will be used to calculate the round results, if no other decisions are copied over. It is important to note that if a team member’s decisions are copied over the decision set made directly to the Team Area, there is no way to restore the originals, unless a player has "Imported" the set into their own Student Area.

Once the round deadline is passed, the game will automatically calculate results based on the final decisions found in the Team Decision Area. Again, be sure to have copied over the decision sets from the student areas before the deadline, if decisions are not made directly into the team area.

2.5. Results

As mentioned before, the round results are calculated immediately after the deadline passes based on the decision set on the Team Area. The games also allow you to review the results from previous rounds, including possible practice rounds, at any given time during the course of the simulation by using the Results page drop-down menu. You may also utilize some special features, such as downloadable excel versions of the round results and slideshows of main indicators.

1. The universe drop-down menu lets you choose any universe in the on-going course.
2. Use the Round drop-down menu to choose the desired round results.
3. Use the "Download" button to download an excel file of the chosen round results.
4. Use the "Slides" button to view a slideshow of the key indicators of the round.
5. Use the “Printable” button to print the round results.

2.6. Schedule

In the schedule section, you can see a list of the amount of rounds that have been set for the course, as well as the deadlines for each round. In cases where the user’s computer time is different from the system time, this page will show the deadlines in both user time and the system time set for the course.

The simulation games are often started with practice rounds. Please note that practice round results have no effect on the results of the real rounds, and are simply used to learn game mechanics and practice forecasting results. Once the practice round(s) are over, the game will reset to the initial market situation.
2.7. Teams area

The Teams area allows you to see details about players across all teams in all universes of the course. You may also edit team information, like team name, slogan and team description.

Team members may also move freely between teams until the deletion of empty teams has occurred, and the game has officially begun. Click the "Join Team" button to move to a different team. Once empty teams have been deleted and the game has begun, it is only possible for the instructor to move students between teams.
2.8. Materials

This section contains all the documentation that is needed to understand and enjoy the game. The generic reading materials will include the decision making guide and the case description. Instructors can also upload custom case specific materials here.

The decision making guide shows you the basics of the simulation, such as user-interface functionality, how to make the decisions, what should be considered when making decisions, and the general order which you should begin with each round.

The case description gives information regarding the business case that is being played during the course. It gives a general understanding of the industry situation, trends in the industry, future challenges. Certain case specific parameters may also be given in the case description.

In this section, you can also find a video tutorial of the game, if available.
2.9. Forums

The forums are a great way for the players to contact their instructors or co-players, and vice versa, when face-to-face contact is not possible. The benefit of forum usage compared to private emails is that it is easy for everyone with the rights to view the forum to contribute to the discussion.

The forums are split into a Team Forum, and a Course Forum. As the names suggest, in the Team Forum, only your team members can see the posts and reply to them. The Course Forum on the other hand is available for everyone on the course to participate in, regardless of team and universe.

Instructors are able to view and reply to forum posts in both sections. As such, the course forum is a good place to ask questions that everyone on the course can benefit from, while the team forum is the ideal place to discuss sensitive team related issues.

Unless disabled in the "My Info" section, players will get notified by email whenever something is posted on their team forum area.
Chapter 3. Cesim OnService

3.1. What is Cesim OnService?

Cesim OnService is a web-based simulation-training platform that allows instructors and students to conduct simulation based learning independently of time and geographical location.

Cesim OnService simulation is designed for instructors who want to give their students a real-life experience of managing any service business in small and medium-sized enterprises (SME), but do not want to spend time on the game logistics. It integrates the best features of an on-line learning system and business simulation.

The task for the student teams is to manage a virtual family hotel in the fast-paced 21st century operating environment. They will also be faced with strategic decisions, such as expanding their operations to a new market. Students will manage the company’s human resources management, capacity management, investments, service quality, pricing, and marketing as they develop and execute a solid strategy for their virtual company.

The simulation has several high-season and low-season decision-making rounds. Both seasons are considered to be 6 months long. The goal of the simulation game is to maximize shareholder value.
Chapter 4. Students’ Decision-making

4.1. Decision-making flow

These instructions will help you as you go through the decision-making tool for the first time. In the beginning, you may want to follow the decision-making flow that is presented here. Later you can make decisions in your chosen order.

It is useful to print these instructions before you start working on your decisions. You should have this at hand when you start going through the decision-making tool.

4.2. Decision making

The decision-making process starts with an analysis of the last round's results. You can find these results under the results tab. After analysing the results, you can start making decisions. If you looked at round 1 results, you will start decision making for round 2. In the beginning of the game, results called initial round results are available and you start by making practice round decisions. After the practice round, the situation is cleared back to the initial, and you will be playing the round again, now called the first round. At the beginning of the game, the sales and prices from previous rounds are the same for all teams.

You enter the decision-making area by pressing the Decisions -tab on the menu bar. The decision making area consists of several pages with different functions. On the right side of the decision area menu bar, you can find the Decision Checklist page. It contains your and your team members’ decisions as well as your team's decisions. Team decisions are used to calculate your results for this round. Be sure to check that your team's decisions are what you wanted them to be before the round deadline.

Other pages are used for decision-making. The rest of this manual helps you make all the decisions that are required to complete one round. The Decision-making area functions as a budgeting tool as well as a decision-making tool. It consists of supporting calculations and the three kinds of input places.
4.3. Market outlook

You should read the market outlook before starting to make decisions. On the left hand side of the market outlook-page you can see the average estimated demand per team in both domestic and international markets and the parameters for the round. The histogram shows the estimated demand for an average team that should be possible to sell at an ordinary sales price, quality and marketing efforts. Depending on your strategy, you will likely want to sell somewhat less or more than the estimated average. The numerical parameters in the market outlook page are already inputted in your decision making area and taken into account in your budgets and calculations.

Decision-making is done separately for two seasons; summer and winter according to the seasonality in Hotel le Bonheur’s business. Both seasons are considered to be 6 months long.

Note

Market growth may not however actualize exactly as predicted. Quantitative parameters are forecasts for the period but they tend to be rather accurate. Market development, on the other hand, can be different from the market outlook due to the fact that the markets are influenced by the other companies’ actions in the markets.
4.4. Sales

You are able to sell room capacity for travel agencies and Internet booking agencies for two periods in advance, for the next period (+1), and the period after the next period (+2). Finally, during the ongoing period you will decide the walk-in room rate for individual customers. Typically the advance sales market is more price sensitive than the walk-in market.

4.4.1. The advance sales

In advance sales market you have to decide how many nights you are offering for sale (to the travel agencies). Based on the negotiations and the purchase offers of the buyers, you are aware of the average price per night for each respective sales volume. The more nights you offer for sale in advance, the worse purchase offers you need to accept which in turn decrease your average price per night sold. Advance sales for a season are interrelated, i.e. sales one period and two periods in advance affect each other. So that if there were a lot of advance sales by the teams two periods in advance, next period the advance sales for the same season will be negatively affected and vice versa. Other factors affecting the room rate are:

- marketing efforts
- personnel sufficiency
- personnel quality
- condition of facilities
- credit term
The share of the agreed number of nights changes in the pie charts according to your decisions. Place your cursor over the charts and you will see the explanations in the mouse hover. The colours in the chart are the same as those shown next to the respective figures.

4.4.2. Sales for this period

For an ongoing period you will give a walk-in room rate at which your hotel customers are able to book rooms. According to your room rate and other factors affecting demand, the outcome is the amount of nights sold. Other factors affecting demand besides the price are:

- marketing efforts
- personnel sufficiency
- personnel quality
- condition of facilities

The amount of nights sold is uncertain, since it depends also on your competition. However, try to make a good sales estimation in the blue cell. The estimation does not affect your sales, but it is taken into account in your budgeted income statement.

On the Sales-page you also decide on marketing expenditures for this round. Marketing decisions have both a short term and a long term effect, so this decisions impacts the following rounds as well. Marketing increases both the sales for this period and the advance sales.

Note that you need to make decisions for domestic and international markets separately. If you decide to invest in capacity in the international market, you can start selling the capacity for periods +1 and +2 right away. As it takes one round to build or rent a new hotel, it is ready to serve customers in the next round. Staff is not needed during the construction phase, but once the hotel is running. Notice that marketing is not as efficient for advance sales as it is for walk-in sales. You can however increase the negotiated prices with travel agencies for the advance sales, especially in the international market.
4.5. Operations

On the Operations page you can make decisions concerning the hotel's facilities and personnel.

4.5.1. Facilities

Each room has a capacity of 180 nights for a half a year period. Due to the architectural and economical considerations investments into room capacity are made in sets of five rooms. Investing in one set of five rooms will thus increase the hotel capacity by 900 nights per period. In the domestic market the hotel has made a rental contract for the land for the next hundred years. The Hotel owns the actual buildings. Therefore also new investments are paid by the hotel.

Investments can be made to additional room capacity as well as to renovating existing rooms. In both cases it takes one period to have the investment ready and operational. Renovation increases the overall quality of the hotel. The condition of facilities is indicated by a number, where 100 means the condition of a newly built or renovated. Better condition reflects as better perceived quality. Facilities condition, together with personnel quality, comprises the hotel’s “Quality Level” experienced by customers. This quality level can be seen in the operations page of the decision making area and results. The condition of facilities decreases over time due to normal wear and tear.

If you decide to expand your operations to the international markets, you have to decide whether you add hotel buildings to the land rental agreement or finance the buildings on your own. This is a on-off decision you have to make when starting the international operations. Adding the buildings in the rental agreement means that you will pay rent for the building instead of financing them on your own. The landlord has agreed to build new capacity whenever you feel that it is needed.
4.5.2. Cost saving efforts for increasing cost efficiency

Both operating costs and administrative costs can be influenced by cost saving efforts, which aim to better, leaner and more efficient processes. The first cost saving project affects direct service costs and the second fixed administration costs.

4.5.3. Personnel

It is important to plan the resource capacity to be flexible and efficient at the same time. Two types of personnel are available: permanent and temporary. There is a need to have enough permanent knowledgeable employees who are able to perform several tasks. However, changes in permanent personnel are not so fluent having high costs associated with both recruiting and lay-offs. Hiring temporary workers enables the hotel to adjust better to the demand fluctuations. Many tasks are easy enough for temporary employees and flexibility does not require that all the workers should need to be able to do all the tasks. Note that both permanent and temporary personnel are partly part-time workers. That means that you can have decimals in your personnel amounts.

Temporary personnel can be hired at a given market salary, but you are able to decide the compensation for your permanent employees. A certain low salary level for international market has been entered in the decision making tool just as a reminder of the lower cost level in that market. However, the international salary decision is totally up to the team and affects only when the operations start and personnel is actually hired. The decided salaries influence personnel turnover. You need to avoid high personnel turnover, since there is a recruiting cost involved in taking on new staff. Moreover, you need to budget for a lot of training if the personnel turnover increases.

In addition to wages and training, the permanent personnel turnover is affected also by workload and company success. Personnel stress level is an indication of personnel adequacy considering the scale of operations.

Training increases the motivation and efficiency of the personnel in all cases, but it begins to yield less results as personnel competence increases.

Personnel competence level is affected by:

- new / old personnel ratio
- training budgets (this and previous periods)
- wages (new personnel)

Personnel quality level includes personnel competence as a factor and measures the quality of employees as experienced by hotel customers. Together with quality of facilities, personnel quality forms the “Quality Level” of the hotel as seen on operations page in results and decision area. Personnel quality is a function of

- temporary / permanent employee ratio
- average competence level of personnel

4.5.4. Recruitment and lay off costs

Recruitment costs are expenses paid to a personnel agency for hiring new permanent personnel. Lay off costs occur when you decrease permanent personnel by more than what would be the natural turnover. The amount of lay off costs is determined by the amount of permanent personnel laid off.
4.6. Financing

Financing decisions are typically the last set of decisions that you are making. All financial market transactions are managed in the group level. You decide on:

- increases (+) and decreases (-) in long-term loans
- dividend payments
- credit term

Cash at the end of the year cannot be below a minimum requirement. The minimum requirement may vary depending on the case settings applied to your course but is usually 200,000 euros. If cash falls below this requirement financial department fills that gap automatically by current liabilities. It is paid back automatically when it isn’t needed any more. Current liabilities interest rate is usually higher than that for long-term liabilities. Current liability rate premium is reported on the market outlook page.

You get to decide the credit term (in days) for the advance sales to travel and internet agencies. The credit term affects the amount of trade receivables in your balance sheet.

4.6.1. Key figures

Return on capital employed, ROCE % (annual) = \( \frac{\text{Operating Profit(EBIT)}}{\text{Average Shareholders' Equity} + \text{Average Interest-Bearing Liabilities (short- and long-term)}} \)
ROCE (Return on capital employed) is a ratio that indicates the efficiency and profitability of a company's capital investments. Here, EBIT (Earnings before Interest and Taxes) equals turnover minus costs and expenses during year, whereas "average shareholders' equity" and "average interest-bearing liabilities" are comprised of the average taken from the round's beginning and ending balance sheets.

\[
\text{Gross profit ratio }\%\text{ (6 months)} = \frac{\text{Gross profit}}{\text{Net sales}}
\]

\[
\text{Net profit ratio }\%\text{ (6 months)} = \frac{\text{Profit}}{\text{Net sales}}
\]

\[
\text{Gearing } = \frac{\text{Average long-term loans} + \text{Average short-term loans} - \text{Average cash and cash equivalents}}{\text{Average total equity}}
\]

Net debt to equity (gearing) is a ratio of a company's level of long-term debt in comparison to its equity capital. Gearing explains how a company finances its operations.

\[
\text{Asset turnover }\text{(annual)} = \frac{\text{Total revenue}}{\text{Total assets}}
\]

This ratio describes the amount of sales that are generated from each euro of assets.

\[
\text{Dividend payout ratio }\%\text{ (6 months)} = \frac{\text{Dividend payment}}{\text{Profit}}
\]

\[
\text{EPS (Earnings per share), € }\text{(6 months)} = \frac{\text{Profit}}{\text{Number of shares outstanding}}
\]

\[
\text{P/E (annual)} = \frac{\text{Market value per share}}{\text{EPS}}
\]

P/E is available after each round when the market value of your company has been realized.

### 4.6.2. Calculation of key financial ratios:

\[
\text{Hotel occupancy }\% = \frac{\text{Nights sold}}{\text{Hotel occupancy in nights}}
\]

\[
\text{Gross profit per room, € } = \frac{\text{Gross profit}}{\text{Domestic room capacity} + \text{International room capacity}}
\]

\[
\text{Net profit per room, € } = \frac{\text{Net profit}}{\text{Domestic room capacity} + \text{International room capacity}}
\]
Chapter 5. Interpreting the results

It is useful to start each decision-making round by studying results from the previous round. By this way you can compare your operations to the other teams’ and improve your strategy.

Results become available when the practice round has started. After each round the system calculates the results for the round according to the teams’ decisions. By choosing the wanted round from the drop-down menu, you can view results from all the rounds passed and compare your results to the others’.

By clicking the small chart symbols you can see the information in chart form.

5.1. Winning Criterion

Usually the teams are evaluated by cumulative total shareholder return, which indicates the value created to the company’s shareholders over all the played rounds. This value is reported in the key figures; “Cumulative total shareholder return %, p.a”. The “p.a” means that the figure is given as an average growth per year (i.e. per annum). The companies’ market value is determined through the discounted cash flow method. Increasing large positive cash flow results in high market value. Cumulative total shareholder return is the capital gains (market value of the company), plus the dividends per share paid out throughout the game. It is assumed that paid out dividends are invested into companies of similar risk and yield a similar return for the stockholders thus increasing the total shareholder return for the rest of the game.

Alternatively, other measures can be used as the winning criterion. When you choose between different winning criterion you should take into account the long-term and short-term aspects of the chosen indicator. Cumulative total shareholder return is the best single performance measure since it is based on the share price as well as the paid dividends.
5.2. Market report

Market report provides information about room rates, sales, profitability and advance sales. The shown period is automatically the last period, if some of the earlier rounds are not explicitly selected instead.

The room rates show at which price the nights at the period are sold at 1. the same period, 2. one period in advance and 3. two periods in advance. The respective sales in nights sold are shown below the rates.

Below this the revenue per room from the period is reported. Note that one room can host 180 nights.

The market report includes an area specific profit calculation. The group level consolidated income statement is shown later under "Income Statement".

In the area profit calculation, following costs are subtracted from the revenue per period; Personnel expenses, direct costs, maintenance costs, Administration costs, Marketing costs, rents and cost saving effort costs.

Personnel expenses: The wages, training, recruiting and lay-off costs in the area.
Direct costs: The direct variable cost of one night to the hotel.
Maintenance: Maintenance and renovation expenses. These are decided in the operations page.
Administration: The level of administration cost is typically increasing at the rate of inflation. However, it can be affected by cost saving projects that aim to decrease the administration costs.
Marketing: This is the marketing effort that the team decides for the area on the sales page.
Rental Payment: Consists of a fixed rent for the land and buildings in the international market if they are rented.
Cost saving efforts: This is the sum of the cost saving efforts addressing the administration costs and direct costs. Cost saving decisions are in the operations page. They decrease direct cost and administration expenses depending on whether you invest into direct cost saving efforts or administration cost saving efforts.

EBITDA is Earnings before interest, taxes, depreciation and amortization (we do not have any amortization items in this simulation). In the simulation it is Operating Revenue – Operating Expenses. EBITDA is Earnings before interest, taxes, depreciation and amortization (we do not have any amortization items in this simulation). In the simulation it is Operating Revenue – Operating Expenses.

Depreciation: Assets, such as hotel rooms lose value over time. Depreciation attributes purchase cost of an asset across its useful life, roughly corresponding to normal wear and tear. The depreciation per one hotel room can be seen on the market outlook page. The value of depreciation is decreased from the facilities’ value in the balance sheet.

EBITDA minus Depreciation is EBIT, earnings before interest and taxes.

At the bottom of the Market Report page you have advance sales and prices for the next two periods. Also the total market supply and the total market demand are shown for the period.

### 5.3. Operations report

In top of the Operations report we have the capacity and sales figures for the period. Occupancy is given as percentage. The advance sales and their share of the capacity are reported for the next two periods. The investments in the capacity decided in the period are shown as the number of rooms.

Personnel - permanent:
Wage / month: The monthly wage you have decided to pay for permanent employees.
Training / person: Training investment for permanent personnel.
Personnel last period: Amount of permanent personnel you had during previous period.
Personnel turnover: Percentage of personnel leaving. Part of this is due to the salary and training offered being less than that of competing companies’. Part of the turnover is based on other factors which are not controllable (=normal turnover).
Recruitment(+) / lay offs(-): Depends on the amount of personnel you decided to need, amount of personnel last period and personnel turnover.
Personnel this period: The amount of personnel you have decided to employ this period.

For temporary personnel, the amount employed last and this period is reported.

The competence level is a function of wages offered and training.

Below the competence level information, you see a breakdown of personnel costs.

At the end the direct costs are shown for the teams. It is the direct variable cost of one night to the hotel.

## 5.4. Income statement

Income statement contains a summary of your financial operations over a period. It shows the net profit from the period by stating the company’s revenues and expenses.

There are two income statements available. The first stands for the round (period) that you have selected from the drop down box. The second (rolling year) includes also the previous period, thus a full year income statement.
Revenue: nights sold multiplied by the room rate.  
Personnel expense: Wages paid for your personnel. You decide the wages for permanent employees, but temporary staff is paid according to a given market salary (see market outlook for the market salary level).  
Direct cost: Direct cost of one night to the hotel multiplied by the number of nights sold.  
Administration: Fixed administration cost that can be affected by cost saving efforts.  
Marketing: This is the marketing effort that the team decides for the area on the sales page.  
Rental payments: Rent paid for land and/or buildings. See operations, and market outlook for details.  
Lay off and recruitment: Lay off and recruitment costs for personnel. See market outlook for details.  
Personnel training: Personnel training costs. You decide this in the operations page  
Cost saving efforts: This is the sum of the cost saving efforts addressing the administration costs and direct costs. Cost saving decisions are in the operations page  
Maintenance: Maintenance and renovation expenses. These are decided in the operations page.  
Interest income: Companies receive interest payments on Cash and cash equivalents. The rate is seen in the market outlook.  
Interest expense on long-term liabilities: Debt capital, i.e. Loans from Financial Institutions cause interest payments. The interest rate is based your financial situation.  
Interest expense on current liabilities: Same as above, except the interest rate differs by a premium added on the long-term interest rate. The premium can be seen in Market outlook -page.  
Direct taxes: Tax rate can be seen in Market outlooks -page. The losses from previous periods are tax deductible.

5.5. **Balance sheet**

<table>
<thead>
<tr>
<th>Assets</th>
<th>Green</th>
<th>Red</th>
<th>Blue</th>
<th>Orange</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>6,150,000</td>
<td>6,150,000</td>
<td>6,150,000</td>
<td>6,150,000</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>60,375</td>
<td>60,375</td>
<td>60,375</td>
<td>60,375</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>570,491</td>
<td>570,491</td>
<td>570,491</td>
<td>570,491</td>
</tr>
<tr>
<td>Total assets</td>
<td>6,789,866</td>
<td>6,789,866</td>
<td>6,789,866</td>
<td>6,789,866</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shareholders’ equity and liabilities</th>
<th>Green</th>
<th>Red</th>
<th>Blue</th>
<th>Orange</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>6,665,350</td>
<td>6,665,350</td>
<td>6,665,350</td>
<td>6,665,350</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,613,610</td>
<td>1,613,610</td>
<td>1,613,610</td>
<td>1,613,610</td>
</tr>
<tr>
<td>Net profit from the period</td>
<td>160,130</td>
<td>160,130</td>
<td>160,130</td>
<td>160,130</td>
</tr>
<tr>
<td>Total equity</td>
<td>3,428,000</td>
<td>3,428,000</td>
<td>3,428,000</td>
<td>3,428,000</td>
</tr>
<tr>
<td>Long-term loans</td>
<td>3,345,725</td>
<td>3,345,725</td>
<td>3,345,725</td>
<td>3,345,725</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current liabilities</th>
<th>Green</th>
<th>Red</th>
<th>Blue</th>
<th>Orange</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term loans</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Trade payable</td>
<td>16,042</td>
<td>16,042</td>
<td>16,042</td>
<td>16,042</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>3,361,787</td>
<td>3,361,787</td>
<td>3,361,787</td>
<td>3,361,787</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total shareholders’ equity and liabilities</th>
<th>Green</th>
<th>Red</th>
<th>Blue</th>
<th>Orange</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,789,866</td>
<td>6,789,866</td>
<td>6,789,866</td>
<td>6,789,866</td>
<td></td>
</tr>
</tbody>
</table>
The balance sheet records the company’s assets and liabilities on the last day of the financial period. It provides a picture of the company's current financial state. The balance sheet is a two-sided calculation, one side of which is called "assets" and the other "equity and liabilities". "Assets" describes where the company’s funds are invested in, and "equity and liabilities" shows where those funds come from. Thereby, the total sums of the two sides are equal.

Property plant and equipment: The value of buildings the company owns. Depreciation is subtracted from this periodically.
Trade receivables: Advance sales that haven’t been paid for yet. You are able to affect this item by adjusting the Credit term on financing - page.
Cash and cash equivalents: There is a minimum cash requirement of 200 t€ to ensure day to day operations. Your cash balance must be at least equal to this limit always. The cash balance is managed automatically and all shortages are filled by using Current liabilities. The amount of cash in your balance sheet affects the interest income in your income statement.
Share capital: Share capital is fixed to 927 443 Eur, i.e. equity offers or share repurchases are not included in the simulation.
Other restricted equity: Equity that is otherwise restricted. I.e. it can’t be used to pay dividends.
Retained earnings: Profits from previous periods are visible here. Dividends are paid out from this line in Balance sheet. High retained earnings in the end are a clear sign of long-term profitability.
Net profit from the period: Bottom line in the same period's income statement. High profit, on the other hand, is a sign of short-term profitability.
Long-term liabilities: Companies have access to large amounts of debt capital that is used to strengthen the financial position if cash inflows from operations are weak. Naturally, these liabilities are interest-bearing.
Current liabilities: Short term debt capital, which is used to fill cash shortages if they arise.
Trade payables: Companies make all their purchases according to the same terms, 30 days in this case unless otherwise stated. Marketing, rental payments, cost saving efforts, maintenance and renovation affect the amount of trade payables.
5.6. Cash flow statement

The cash flow statement shows where the firm has received incoming cash, and where it has spent it. It consists of the cash flow from operations, cash flow from investments (capital expenditure), and cash flow from financing.

The operating margin (EBITDA) that forms the base of the cash flow statement comes from the income statement. To this, we add financing income and deduct financing expenses. These items typically comprise of interest income and expenses. Further by deducting direct taxes, we get the firm’s income financing (funds generated from operations). Note, depreciation is not included here, since it’s not real cash flow, but a method to divide past investments into income statement over the periods an investment is used.

Change in net working capital includes changes in receivables and payables. These are both balance sheet items. When receivables increase, it ties up capital. Increase in account payables on the other hand frees up capital, as the share of our operations financed by other parties increases.

When the change in net working capital is added to (deducted from) the income financing, we get the cash flow from operations.

When we deduct the purchases of fixed assets (facilities), we get cash flow after capital expenditure.

From that figure, we deduct the payment of loans, and add any new loans taken. If the shareholders have been paid dividends, the dividend payment is subtracted. In the end, we have the net increase and decrease in cash and cash equivalents.
By adding (subtracting) this figure to the cash and cash equivalents at the beginning of period we get cash and cash equivalents at the end of period. By adding (subtracting) this figure to the cash and cash equivalents at the beginning of period we get cash and cash equivalents at the end of period.