**Events Management: Principles & Practice, 4th Edition**

**Instructor’s Manual**

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**Chapter 5**

**Financial Management in the Events Industry**

**Chapter Overview**

The aim of this chapter is to provide clear-cut explanations of accounting terms for event managers/businesses, enabling you to familiarise yourself with the financial management process. Financial management effectively controls growth and should be carried out by event organisations for the protection of creditors and shareholders and to keep the company in business. Finance is at the centre of every business and at the heart of management; it is concerned with everything to do with obtaining money for an organisation and recording and controlling how that money is being spent. The most important point to remember for event managers, even if you have no direct responsibility for managing financial resources, is to be aware of the financial procedures that are used in your organisation, particularly for those items which cost money or which generate cash for the business. The chapter also discusses the budgeting process for event managers to understand in order to manage the financial activities of organisations.

**Exercises and activities**

**Tips for Tutor**

1. **Ask each student to read following sections from the chapter 5, before coming to class.**
* Regulatory frameworks of accounting
* Profit and loss account and balance sheet
* Accounting Ratios Analysis
* Budgeting process

**Internet Resources**

1. These are internet and YouTube clips, we recommend you ask students to visit internet sites and YouTube clips and asking them to watch and read the material for classroom discussion.
* https://www.youtube.com/watch?v=J-XU75\_IByY

In this video, the lecturer review all the components that go into your event planning company's books, including a detailed walk-through of the key financial statements every event planning business should be using to measure its fiscal health.

As a professional event planner, you'll learn:

■ How to read and interpret a Profit & Loss Statement & a Balance Sheet for an event planning company.

■ Understand the difference between Accrual & Cash based accounting methods and create a chart of accounts.

■ Discuss a variety of tips for budgeting and cost management in running your event planning business.

■ Understand the importance of cash flow and how to properly track it

* https://www.youtube.com/watch?v=0bXJGZgR1BU&t=5s

It's no secret that it's a pricey pain to host the Olympic Games, running billions of dollars above the estimated budget. As the International Olympic Committee receives fewer bids with each problematic games, the future of the tradition is looking unsure. We spoke with Smith College Professor of Economics Andrew Zimbalist on the matter. He should know, he's written about the Olympic issues in Circus Maximus, No Boston Olympics, and Rio 2016.

* <https://www.youtube.com/watch?v=GO_cWlld86I&t=3s>

Creating your virtual event budget might feel like a complex task. Sure, you’re probably more than used to create budgets for in-person events. But how do you go about it in the scope of virtual events? Because things are quite different this time around, and many of the things you were used to will be completely absent. Simultaneously, new things that are inherent to virtual events will have to be accounted for. So, if you aren’t sure how to create your virtual event budget, don’t worry. Keep reading to find out more or simply jump straight into our virtual event budget calculator

**Tips for Tutor**

**3.1** Divide students into groups of four to five and instruct them to:

* Read Case Study 5.2: Financial Benefits of Russia FIFA World Cup 2018
* Ask the students to critically evaluate Russia FIFA World Cup 2018 financial implications on the host community. Also discuss the benefits of new infrastructure in attracting visitors to Russia.

**Case study 5.2: Financial Benefits of Russia FIFA World Cup 2018**

The Russia FIFA World Cup 2018 was one of the most expensive supporting events in the history for host nation. Prime reason for Russia World Cup being most expensive due to building modern facilities to replace aging infrastructure and develop long-term tourism destination for visitors. The infrastructure was built by the Russian government and private investors.

* New stadium construction
* improving transportation links
* Modern facilities to stage cultural events

It cost the Russian government to develop new infrastructure cost about $13.2, the cost was spread over 4 years. Sone western experts believe it did not benefit the Russian people. It was public relation (PR) event to showcase to world the visiting Russia and attract visitors for see able future. Badenhausen (2018) outlined following benefits that have been achieved through hosting FIFA World Cup 2018 in Russia.

* 12 World Cup teams was sponsored by Adidas, who was also a World Cup sponsor. Nike had 10 teams, Puma (4 teams), New Balance (2) and Umbro are the other kit sponsors.
* Cheapest ticket was $110 (list price) for the World Cup Final, which is only available to Russian citizens and average price was high as $1,100. Group matches was in range between $50 to $550.
* 2.4 million tickets was sold
* $38 million was prize money for the winning team and Runners-up got $28 million, and third place is worth $24 million.
* $400 million was total prize money awarded to the 32 participating teams. Each team also received $1.5 million ahead of the competition for its preparation costs.
* $425 million was cost to Fox for the TV rights in the U.S. to the 2018 and 2022 World Cups. Telemundo is paying $600 million for the Spanish-language rights to the events.
* $1.65 billion was generated by the FIFA for the 2015-2018 for marketing rights revenue.
* $3 billion was Television broadcast rights revenue for FIFA for the 2015-2018 cycle.
* $11.6 billion was estimated spending by Russia on projects for the tournament in 2018.

**Tips for Tutor**

* 1. Divide students into groups of four to five and instruct them to:
* Read Case Study 5.2: Organisation Committee for the Olympic Games (OCOG) Tokyo
* Ask each group to discuss and analyse the financial position of Organisation Committee for the Olympic Games (OCOG) Tokyo

**Case study 5.2: Organisation Committee for the Olympic Games (OCOG) Tokyo**

The Organisation Committee for the Olympic Games (OCOG) for the Olympic Games and Paralympic Games Tokyo 2020 with the Tokyo Metropolitan Government and the Government of Japan released the in June 2019. The OCOG budget responsibility for Tokyo 2020, which includes long term investments for the city and country that will serve future generations for decades to come through infestrature development of the city.

The budget for Games to ensure that it deliver strong financial foundation for the successful delivery of the Games and to meet any unexpected circumstances. Below is version 4 of the budget for Tokyo 2020, which may change due to postponed of the 2020 Tokyo Olympic and Paralympic Games until 2021 due to the coronavirus pandemic it may cost Japan additional USD 5 billion to host the Games in 2021.

|  |
| --- |
| **OCOG Budget (V4 Budget)** |
| **Revenue** |  |
| **Items** | **Amount** |
| IOC Contribution | USD 0.8b |
| TOP Sponsorship | USD 0.5b |
| Local Sponsorship | USD 3.3b |
| Licensing | USD 0.1b |
| Ticket sales | USD 0.8b |
| Others | USD 0.3b |
| **Total Revenue** | **USD 5.9b** |
| \* Unit: billion USD / 1 USD = 107 JPY |  |
|  |  |
| **Expenditure** |  |
| **Items** | **Amount** |
| Temporary/Overlay | USD 0.9b |
| Energy | USD 0.1b |
| **Venue-related budget** | **USD 1.1b** |
| Transport | USD 0.4b |
| Security | USD 0.3b |
| Technology | USD 0.7b |
| Games operation | USD 1.2b |
| General affairs/Communication | USD 0.6b |
| Marketing | USD 1.2b |
| Others | USD 0.2b |
| **Service budget** | **USD 4.4b** |
| **Discretionary expenses** | **USD 0.1b** |
| **Total Expenditure** | **USD 5.6b** |
| Contingency | USD 0.3b |
| **TOTAL** | **USD 5.9b** |
|  |  |

Source: adapted from Organisation Committee for the Olympic Games (OCOG) for the Olympic Games and Paralympic Games Tokyo 2020 https://tokyo2020.org/en/organising-committee/budgets

1. **Discussions questions**

**Question 1**

Discuss and explain the regulatory frameworks of accounting for limited companies?

**Question 2**

Critically evaluate gearing ratio and Dividend Yield ratio for Logistics Management Ltd.

**Question 3**

Discuss and investigate the importance of budgeting process for event organisation?

**Question 4**

The information in Table 5.11 was extracted from the books of World Events Ltd, as at 31 March 2020. Prepare a profit and loss account for the company for the year to 31 March 2020.

**Table 5.11** The trial balance of World Events Ltd, as at 31 March 2020

|  |  |  |
| --- | --- | --- |
| 350,000 Ordinary shares of £1  |  | 350,000 |
| 6% Preference shares £1 |  | 70,000 |
| Dividends: ordinary  | 15,000 |  |
| Preference  | 5,900 |  |
| Taxation  | 29,000 |  |
| Interest paid  | 7,500 |  |
| Bank loan | 60,000 |  |
| Admin cost | 43,000 |  |
| Turnover  | 250,500 |  |
| Cost of sales | 170,500 |  |