

result in prices that are only one-quarter of the rack rate, but hotel operators are willing to forgo higher rates in exchange for guaranteed consistency in occupancy and revenues. For competitive reasons, slight discounts of 10% off the BAR are offered to certain groups of travelers such as senior citizens, club members, and frequent stayers. Because these guests are dealing directly with the hotel or the hotel's central reservations system, the hotel saves on processing costs and commissions that would be paid to a travel agent or other intermediary. Room rates are reduced further when travel agents and tour operators are extended commissions of 20% or more to generate business during slow periods.

Other groups offered prices below rack rates are government employees and convention attendees. Government employees may be offered significant discounts because they frequently are limited in how much they can pay by their *per diem* rates. Conventioneers also receive reduced rates that have been negotiated based on the total volume of business the convention will bring to a property.

Table 7.8 Prosperity Point Hotel Revenues and Expenses for the Month of March 20xx

Occupied Rooms	Actual	Actual (%)	Budgeted (%)
Available rooms	9,300		
Total occupied rooms	7,403	79.6	80.0
Average rate	\$137.01		
RevPar	\$109.06		
Revenue			
Rooms	\$1,014,285	54.2	46.8
Food	462,183	24.7	27.9
Beverage	338,415	18.1	21.3
Total F & B	800,598	42.7	49.2
Telecommunications	30,428	1.6	2.7
Gift shop	19,247	1.0	0.9
Other income	8,187	0.4	0.4
Total revenue	1,872,745	100.0	100.0
Departmental profit			
Rooms	728,090	71.8	78.1
Food	84,260	18.2	14.7
Beverage	159,055	47.0	48.6
Total F & B	243,315	30.4	29.3
Telecommunications	1,521	5.0	(7.0)
Gift shop	3,465	1.8	.3
Other income	4,667	57.0	57.1
Total departmental profit	981,058	52.4	51.0
Operating expenses			
Administrative and general	162,929	8.7	8.7
Advertising and promotion	74,910	4.0	4.4
Utilities	88,019	4.7	4.6
Maintenance	69,292	3.7	3.2
Total operating expenses	395,150	21.1	20.9
Gross operating profit before interest, taxes, and depreciation	585,908	31.3	31.0