

## Instructions:

### Fun Time Cruise Line Quarter Revenue Forecast

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1. Display the handout **Fun Time Cruise Line Quarter Revenue Forecast** on a light projector and guide the students through the calculations.
2. Begin by explaining the column headings Q1, Q2, Q3 and Q4 as a total year divided into equal quarters.
3. The Fun Times Cruise Line has a different number of rooms in different size cruise ships and the number shown on line 1 represents an average of the number of rooms available for each cruise that quarter.
4. At any given time, some of those rooms are down for maintenance.
  - Ask the students to predict WHY some of the rooms would not be available.
  - Calculate the answer on line 3 -  $875 - (875 \times .02)$  or  $875 \times .98 = 858$  rooms available on average per night.
  - Round the number as you cannot have part of a room.
  - Calculate the remaining quarters.
5. Line 4 is the occupancy rate - students can take the available rooms and multiply by the occupancy rate to get the average number of rooms sold per night.
  - Be sure to explain percentage multiplication.
  - This is a good opportunity to teach students the importance of maximizing revenue by increasing the occupancy rate.
6. Line 6 is AR or average rate that represents the average price for a room for any given cruise during that quarter.
  - Explain seasonality of a business - cruise lines are typically busier in the summer and therefore can raise prices due to a higher demand, hence a larger average rate.
  - Rates are also different because of the length of a given cruise. Summer cruises might be longer in average.
7. Line 7 is the estimated revenue per cruise - multiply the numbers in line 5 x line 6.
  - Emphasize that the revenue is also dependent on the AR and that keeping it high is also important to increasing revenue and therefore profit.
8. Line 8 is the average number of cruises planned for that quarter by the Fun Times Cruise Line.
  - Calculate the estimated revenue per quarter by multiplying line 7 and line 8.
9. Add all of the quarters to find the total.
  - Explain how this number can fluctuate by the averages such as AR and Occupancy rate changing.
10. Students may practice more calculations by changing the AR and occupancy rate and comparing the difference.