

## THE ADVANTAGES OF AGROTURISTIC GUESTHOUSE

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### **Abstract**

*The activities carried on in the tourist hostels and in agro-touristic farms (accommodation, food, entertainment) are parts of the tourist product. In this respect, it is a must to ensure from the quality of facilities, equipment and general layout of the accommodation to those of food and entertainment. In order to protect tourists, the activities of the tourist hostels and agro-touristic farms will be in accordance with these regulations, which govern tourism in Romania.*

*The strong appetite of customers, who eager for traditional holidays, motivated more and more investors to buy lands and peasant houses in urban areas where there is less civilization In this case, we ask ourselves: Is it worth an investment of 25,000 to 30,000 euro?*

*In order to answer this question, I got a concrete example: a hostel with the same investment and I analyzed the financial situation for the last year.*

*At the end of the paper I have drawn some conclusions that may be useful for those who, in the future want to establish a hostel with low investment. Arranging the grandparents' or parents' house from the countryside, the vacation house or their own homes, involves a relatively small investment but if turned into a tourist hostel can become an important source of income.*

**Key words:** Maximum capacity utilization, commodity production, rate of return

### **INTRODUCTION**

**Leonte Guesthouse** is situated in *Brasov* county, belongs to *Moeciul de Jos* commune. It lies at an altitude of 1200m and has a beautiful panoramic view, overlooking both *Piatra Craiului* mountains on the right side and on the left side the *Bucegi* mountains.

This guesthouse is part of the *National Reservation- Piatra Craiului*. Established on an area of 440 ha at the beginning (1938), today the reservation covers 3760 hectares and includes today's most interesting area of the massif, ie the northern coast of *Piatra Craiului*, its northern, North-Western and Western slopes and on the Eastern slope the area between *Colții Grindului* and *Curmătura Pietrei Craiului*(Photo1,2).



The hostel began operating in 2000, only on summer season, in authorized form under the company named, *Carpatur Exim LLC* and starting from 2007 the guesthouse receives tourists all year round. Tourists can stay in a lodge with dining room and fully equipped kitchen, three bedrooms in the attic and a bathroom (photo 3, 4).



Profitability is a key component of economic efficiency and expresses the ability of traders to obtain profit. Profit is being calculated in all the zoo-technical companies and concerns only the quantity of livestock products sold outside the unit (production goods).

The profitability of agro-touristic hostel is usually expressed by means of two indicators, namely:

- Profit;
- Rate of return (profitability).

In summary, the total gross value represents the difference between the production of goods (income earned) and expenses made for the producing and sale of commodity production. Thus, the obtained profit is called gross profit. The decrease of income tax takes to net profit.

Tax rate of (16%) is applied to taxable income. Taxable income is calculated by subtracting the deductible expenses from gross profit (as required by law), plus the deductible expenses for tax purposes.

Net profit may be the next destination:

- Creation of own sources of financing;
- Establishing the Fund for the participation of employees in profit;
- The manager's share.

Increasing profitability can be achieved in several ways, namely:

- Increasing the accommodation capacity;
- Improving the structure and quality of accommodation;
- Reducing costs of core business;
- Changes in sales prices.

## MATERIAL AND METHODS

In order to analyze and reproduce a situation as eloquent as possible, I had all the available books and accounting records of the company, which helped me calculate the rate of return.

The rate of return is an indicator that expresses the efficiency of production costs. It can be calculated as follows:

✓ By referring the total gross profit to the total costs of production and marketing of commodity production, multiplying the result by 100, when being called the economic rate of return;

✓ By referring the total gross profit to the capital value;

If the obtained yield is not for sale, the rate of return will be calculated by comparing the total net income to the total production costs.

The financial rate of return is being calculated based on the ratio between the net profit and equity and is expressed in percentage.

Return on revenues (turnover) result based on the ratio between the gross profit and turnover, expressed in percentages.

## RESULTS AND DISCUSSION

Maximum income the owners can obtain from the guesthouse, varies from one month to another, so given the number of tourists and the price per room. Price per room varies between 60 and 80, depending on the demand. But the income varies depending on how many rooms are rented.

Table 1  
Employment and income of the pension during the period July 2009-July 2010

Luna	Nr. tourists stay	Price per room	Revenues
Julie 2009	180	60	5400
August 2009	186	60	5580
Septembrie 2009	160	60	4800
Octombrie 2009	120	60	3600
Noiembrie 2009	108	60	3240
Decembrie 2009	180	80	7200
Ianuarie 2010	120	60	3600
Februarie 2010	110	60	3300
Martie 2010	80	60	2400
Aprilie 2010	100	80	4000
Mai 2010	160	60	4800
Iunie 2010	160	60	4800

\* The data presented in the table is veritable

In the following table it can be seen that the highest incomes are achieved due to the high price of room in the winter, usually on holidays the price is established depending on the demand and can rise up to 80 ron per room.

The guesthouse occupancy percentage is high above the national average because the guesthouse is small and intimate. Most clients prefer it because they can rest , irrespective of full or extra season, due to the stunning view.

The expenditure indicator we have included all amounts used for various purposes, which we grouped as follows:

- Labor costs
- Expenses for electricity
- Expenses heat
- Pension costs for maintenance and cleaning
- Expenses for maintenance upgrades
- Expenditure on food supply
- Expenses for purchase of various materials and objects necessary for the proper functioning of the pension.

In the expenditure indicator, I have included all amounts used for various purposes, which we grouped as follows: Please note that the expenditure situation is related daily, on objectives and activities and a monthly, quarterly, half yearly and annual, there are made expeditious tests that serve the managerial background (Table 2).

Table 2

Costs Structure

Type of expenditure	Average monthly expenditure during the period July 2009-July 2010
Workforce	1000
Electricity	600
Heat	300
Maintenance and cleaning	200
Food supply	200
Consumables	100
<b>Total</b>	<b>2400</b>

\*Data are presented is veritable

So, monthly we have an average of 2400 ron, current expenditure, but generally we have also upgrade or repair expenses.

Costs can be reduced up to a certain amount, but we can assist to streamline costs.

The absolute reductions of expenditure is necessary especially if there is a specific consumption to overcome those set by the program,

scientifically.

There are not economically justified, cost-cutting trends affecting animal feeding, some facilities of shelter, protection of animal health, and so on, because the effect can be negative downward customers.

Any expense should have a technical-economic justification, to be linked to the rate of occupancy. It is therefore necessary to adopt a strict policy of economy, on common costs and on the economic sector.

The gross profit obtained by the company in from 0 (zero) in March up to 5000 (five thousand) in December. Once we subtract the income tax , we have for December the amount of 4200 Ron , which needs to be redistributed. In most cases this profit is invested, in a gazebo, a swing, a barbecue, and now in a playground for children.

## CONCLUSIONS

Following the analysis, it could be seen that the profit is sufficient for the provided capacity of accommodation, so it is recommended to keep the profit for a possible expansion or even for the construction of an identical guesthouse.

Another way to increase the profitability of the guesthouse is to reduce the cost of maintenance, which directly depends on the volume of expenditure and the size of the accommodation capacity.

But the guaranteed success of the business is given by the location, where the guesthouse is situated and by the services offered. Above all, experts recommend drawing up a target of customers' profile, so that once established, helps to choose a suitable location.

Equally important is the infrastructure, easy access to town, roads passable and utilities substantially contribute to the profitability of existing business. Profitability that primarily depends on the rate of occupancy.

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