

MANAGEMENT ACCOUNTING TECHNIQUES IN THE HOSPITALITY INDUSTRY

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This article represents an overview of the management accounting techniques used in the Hospitality Industry. The main differences between financial and management accounting are explained. Much attention is given to the Uniform System of Accounts for the Lodging Industry (USALI) and principles of its operation. The Key Performance Indicators used in the Hospitality Industry are analysed. Advantages and disadvantages of the USALI standards are assessed during the practical research. The article is focused on models of USALI implementation. The recommendations for the improvement of management accounting system in the Belarusian hotels are given.

Keywords: management accounting; accounting techniques; accounting principles; Hospitality Industry; Key Performance Indicators; Uniform System of Accounts for the Lodging Industry.

In the modern rapidly changing environment one of the factors which determines the stable position of the company on the highly competitive market is timeliness and quality of the information used in the decision-making process. This information is supposed to be provided by the system of management accounting.

Management accounting provides more data in comparison with financial accounting. Financial accounting deals only with financial transactions pertaining to a business, while management accounting embraces different quantitative and qualitative measuring tools. The system of management accounting also includes estimation of future events such as planning and budgeting. Nevertheless, the system of financial accounting in the organization is the primary source of information for the development of management accounting.

For the purposes of accounting, control and company management the so-called uniform accounting systems were developed in certain economic spheres. The first edition of the Uniform System of Accounts for the Lodging Industry (hereafter USALI) was developed by the Hotel Association of New York City in 1926. It contains the principles of accounting to prepare reports which are used for conducting comparative analysis of the financial results.

Until 1961 the USALI standards had been applicable only to medium and large hotels. However, after numerous requests from the small enterprises it was decided to adapt the system to their needs. In its almost 100 years of

existence, USALI has undergone a number of changes, with its 11th edition being published in 2014. It describes some changes in the accounting system connected with the IT-development, globalisation, and modification of marketing tools [1]. Thus, the fundamental purpose of USALI is to provide a system for the compilation and reporting of financial information to support management decision-making.

Nowadays USALI has become the basic tool for the analyses of hotel operations. It includes the reports which enable managers to work with the data from the business units and departments. USALI determines the principles of applying and classifying hotel income and expenditure. In order to prepare the report correctly one is supposed to understand how the profit and cost should be divided and grouped. Fundamentally, the key concept of the USALI principles is the existence of the so-called responsibility centres, which can be represented in the form of cost, profit and investment centres. The hotel is divided into departments which are responsible for different groups of income and expenditure.

It is worth mentioning that the USALI standards enable managers to interpret collected information and use it for effective management in the form of the Key Performance Indicators. The main KPIs which are analysed under the USALI system are the following:

- Occupancy = Number of Rooms Sold / Number of Rooms Available
- Occupancy rate refers to the number of occupied rooms at a given time, compared to the total number of available rooms at that time.
- ADR (Average Daily Rate) = Rooms Revenue/ Number of Rooms Sold
- ADR is a KPI used to calculate the average price or rate for each hotel room sold for a specific day. A similar indicator is the Average Room Rate (ARR). It can be used to measure the average rate for a longer period of time (week or month).
- ARI (Average Rate Index) = Hotel ADR / Competitive set ADR
- This KPI is connected with the competitive set – a group of other hotel brands and competitors that have similar target market and concept. This indicator measures the performance of the hotel's ADR compared to their competitive set. Depending on this indicator, the hotel can work out a strategy to gain more revenue and make itself more competitive.
- RevPAR (Revenue per Available Room) = Rooms Revenue / Number of Rooms Available = ADR * Occupancy
- RevPAR is an essential indicator in the system of management accounting. The same level of RevPAR can be obtained either if a high tariff is set with a smaller occupancy, or if a high occupancy is achieved at a reduced rate. However, the profit hotel receives would be different [3].

As for the main advantages and disadvantages of the USALI standards we should mention the following (Table).

Table

Advantages and disadvantages of the USALI standards

Advantages	Disadvantages
receiving data in accordance with generally accepted standards (it makes information comprehensible to owners, investors and other stakeholders)	in some hotels it contradicts operating activities due to some peculiarities of operations
setting of the report system with the help of which hotel performance could be compared with the target value, with previous time periods and with competitive set	tendency towards complication of the financial reporting system
simplifying of the assessment and planning processes with the help of clear and well-structured information	difficulties in implementation on the stage of operation, when the system of accounting has already been established

All these advantages and disadvantages bring us to the process of the USALI standards implementation. To illustrate the main difficulties let's mention some challenges that are potentially dangerous for any organization:

- high cost of the USALI software and methodology;
- difficulties in collecting high-quality data;
- inability to collect and process information automatically;
- underqualified staff [2].

One must admit that the USALI system is based on the American Generally Accepted Accounting Principles and International Financial Reporting Standards. Consequently, according to the Belarusian law, it couldn't be used as the main system of financial accounting in any organization. And though it could be used as an additional system, all the reports for the tax and statistical authorities should be prepared in accordance with the local standards.

However, a well-established linkage between the databases within the accounting system can enable hotels to implement the USALI standards. Some of the Belarusian hotels use the USALI principles in their systems of financial and management accounting. Among them the hotels managed by the international chain Hilton Worldwide.

In order to illustrate the implementation process, let's consider one of the possible projects of USALI realization which includes 4 main stages:

1. analyse the current system of the accounting in the hotel, examine the ways of USALI implementation;
2. implement USALI, transform the financial reporting system;
3. tailor the automatic systems of financial and management accounting;

4. train the staff.

Thus, we have come to the conclusion that the USALI system is a harmonised standard of financial and management accounting for the hospitality industry which is accepted by both leading international hotel chains and small enterprises in this sphere. Through the various operating statements and metrics, USALI provides operators, managers, owners and other stakeholders with the standardized data which could be used for decision-making process, comparative analysis, and planning. The majority of the Belarusian hotels have not implemented USALI yet. This results from a number of the restrictions and challenges that are connected with this system. However, a well-planned project can enable organizations to implement these standards and get the benefits of the USALI system.

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