

Harriot Hotels



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Introduction

Management accounting is the general process of defining, evaluating, and analysing financial data by managers. (Abdusalomova, 2019). It is essential for an organisation because it aids in the preparation of financial and non-financial details for proper use. (Rikhardsson and Yigitbasioglu, 2018). It also aids in the planning of a budget, which details the costs that a company or a business will face in the coming years. Those issues would be recognised early on, and they would be mitigated by the use of management accounting. Based on their behaviour, there are two types of costs: fixed costs and variable costs. Fixed costs are fixed in nature which would be borne if performance is zero, while variable costs fluctuate and are directly related to the output of a company. (Quinn *et al.*, 2018). In recent years, Covid-19 has had a major effect on the hotel industry because most tourists were unable to fly, resulting in vacant rooms. During this phase of global pandemic, the hotel industry around the world has experienced massive losses, and some precautions must be taken to deter the spread of Covid-19.

Main Body

Introduction to Harriot Hotel

John D. Brockville has established Harriot hotel in the year 1941 and the hotel has grown over the year. It has been operating in several countries such as the Americas, Europe, Asia and Africa with steady growth. This enables the organisation to expand aggressively by funding their loans in collaboration with several foreign banks. In recent years, Covid-19 has spread to the point where the government has had to enforce lockdown in most countries, causing the hotel industry and tourism to suffer. Jim Trulley has been named as the CEO of Harriot Hotel, and he claimed at the annual general meeting that the current year is the company's worst year yet. Harriot has maintained its growth policy by raising the number of rooms when the lockdown has been removed in comparison to other nations.

Employee wages

It relates to the cost that is incurred by the Harriot Hotel for payment of their employees.

Employee salaries are calculated to be 5% of gross income, which is considered high. It means that the hotel would expend about a quarter of its income on employees, which could pose a challenge for management during the ongoing global pandemic. This expense involves both a fixed cost and a variable cost that encourages staff members to choose between desks as well as housekeepers, which could be paying on an hourly basis. This denotes contingent costs and they can fluctuate based on their costs accrued. (Almasanet *et al.*, 2019). In contrast, the high salaries or fixed salaries charged by employees may be classified as fixed costs. By incorporating a significant part of pay known as a fixed expense the total salaries of executives will be higher.

It may be suggested that the Harriot hotel reduce its pay plan and include some government redundancy packages.

Advertising cost

It relates to the cost that is incurred by the business for advertising activity, which helps in enhancing their business activity (Turner *et al.*, 2017).

The cost of advertisement is considered around 12% of total revenue, which is quite high. This means that the hotel would spend less on the advertising process and rely

more on other operations. Most hotels have been closed during this pandemic, so publicity is not required at present.

This particular item of cost is considered as variable cost as this particular activity might be performed as per requirement and it is not a mandatory activity (Liao *et al.*, 2019). Operating and manufacturing costs, on the other hand, are fixed in nature because they would occur if the business's production were zero. The average costs that are viable for the enterprise are determined by the operation that the Harriot Hotel would do in their daily course of business.

It would be prudent for the Harriot Hotel to eliminate the expense of advertising in order to save more money at the end of the year. Since all restrictions have been removed from the nations, this operation will resume.

Interest on loans

It refers to the expenses paid by the Harriot Hotel as a result of the loans taken out.

It subsists of 17% of the total revenue that amounts to 10,000.00 which is a significant sum. It implies that the hotel lost a significant amount of money during the global pandemic, which can be called into question.

This cost consists of fixed cost as well as variable cost as the loan from bank requires payment of interest for a certain period of time (Liu and Tyagi, 2017). If the hotel takes out a bank loan, it becomes a fixed expense and the business must pay interest at regular intervals. If the hotel stops taking out a bank loan, interest is not expected to be paid, and this becomes a variable expense. (Liet *et al.*, 2018). Loans impose a cost on the corporation because they establish liabilities, and this expense is fixed in nature.

It is possible that Harriot Hotels could reduce the overall amount of loans, which will result in a reduction in the total amount of interest on loans.

Housekeeping and cleaning supplies

It refers to the costs associated with housekeeping and maintenance in hotels.

Housekeeping and cleaning supplies consist of 8.3% of total revenue that is low for the company in their normal course of business. This means that the hotel would have to spend a little extra money on the operation during the pandemic.

This particular cost mainly signifies both variable elements, as well as a fixed element as the process of housekeeping and cleaning services, can made payment according to the requirement (Fathi *et al.*, 2020). The employees associated with it offers significant changes and this might only be done only in case of any interaction with customers (Tisdell and Adamson, 2017). Dependency on the customers' highlights the aggregate costs that would be incurred by the business.

It would be advisable for the hotel to increase the household activities along with cleaning that is to be increased with an increase in the frequency of customers.

Customer discount

This cost points out the discount given to the customers by the Harriot Hotel.

The discount provided to the customers consists of 13.3 % of revenue that is high and it is incurred by the hotel. The hotel incurs the amount for providing the discounts that are no better idea in this outbreak of a global pandemic.

That is the expense that is made up of a contingent factor and it is affected by the number of consumers that come in and out, and it must be removed. Customers' discounts are the expense that must be minimised, since it is not a better idea in this pandemic case. (Park and Mo, 2019). Instead of a customer discount, the hotel must have incentives such as additional drinks to guests, which would serve to retain them.

It is suggested that the Harriot hotel exclude this expense because it has a significant effect on the overall amount of money gained.

Stationeries used in front desk and restaurants

The expense would be associated to the stationeries used at the front desk and in restaurants incurred by Harriot Hotel.

Stationary facilities at the front desk comprise 5% of the turnover, and are relatively low in relation to other prices. In times of pandemic, the hotel had to spend less on the stationeries to save income.

This specific expense is linked to both fixed and variable components since it relies entirely on the customers' use (Batrancea *et al.*, 2019). This expense can be raised

as travellers will use more paperwork for hotel facilities. Events with additional costs must be reduced and stationary expenses increased.

These specific expenses will be prescribed for the Hotel and other costs can be reduced, such as redundancy costs.

Conclusion

The above analysis can be concluded with the prices, which will be balanced based on their design and effect on the hotel industry. The hotel industry's future is strengthened by controlling the costs that may be borne in their daily operations. Based on whether or not the expenses mentioned above remain for the hotel, they will be lowered, increased, or deleted. In addition, justifications for the decision have been given, as well as a description of both constant and variable elements.

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