

Management Accounting

Assignment 1

Name: **Nikoleta Georgieva (1908764)**

Module: **Management Accounting**

Module № **LCBB5002**

Lecturer's Name: **Konstantina Mari**

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INTRODUCTION

Management accounting is a procedure in which preparing and providing timely financial and non-financial information to business managers so that they can make daily and short-term managerial decisions. It is an essential element in applying and executing a strategy that supports an entity succeed (Hilorme et al., 2019). This accounting's importance is to carry out all detailed financial information in front of a board of directors; after that, they are taking relevant information. The term cost categorises into business according to their behaviour patterns like fixed, variable, and semi-variable. Such classification consists of a change of integrity of a group of expenditure that is deducted from revenues. After the COVID 19 UK and global hotel industry is affected in a broad manner and significantly impacted on hospitality business turnover. The hospitality sector's economic output was down about 92% in April 2020 compared to February 2020. It mainly concentrates on governments as well as businesses is the safety of their people. The impact is huge but not predictable on both revenues as well as chains.

MAIN BODY

Overview of Hotel

Harriot hotel was constituted in the year of 1941 by John D. Brockville. This hotel plays a major role in the hotel industry and conducts its business activities in the Americas, Europe, Africa, and Asia. Due to the Covid-19 pandemic situation broke out at the worldwide level and obligated lockdown that have unfit the hotel and tourism sector. However, Harriot wants to expand their business and concentrate on increasing room capacity in mainland China as Covid-19 restrictions were easy earlier than other nations. It is analysed hotels in hard-hit cities of the Americans as well as Europe; therefore, senior management has taken action to apply a cost-cutting strategy in order to deduct projected losses for 2021.

Critical Writing Approach

Projected Cost Breakdown for UK Division

<i>Item (£m)</i>	<i>Value</i>	<i>As a percentage of revenue</i>
<i>Revenue</i>	<i>60,000</i>	
<i>Employees' wages</i>	<i>15,000</i>	<i>25%</i>
<i>Advertising cost</i>	<i>7,000</i>	<i>12%</i>
<i>Interest on loans</i>	<i>10,000</i>	<i>17%</i>
<i>Housekeeping and cleaning supplies</i>	<i>5,000</i>	<i>8.3%</i>
<i>Customer discounts</i>	<i>8,000</i>	<i>13.3%</i>
<i>Stationeries used in front desk and restaurants</i>	<i>3,000</i>	<i>5%</i>

Revenues: It is defined as a total amount of income earned by an entity after selling goods and services to customers. It is based on top-line activities at the top of the income statement. It is most essential for a start-up business to survive positively and get the best outcomes. In the cost break down revenue, Harriot hotel is 60000.

Employee wages: These are payments for work agreed between a staff member as per the private sector's employment contract. It is the percentage of revenue is 25% which is 15000. It is considered a variable cost because employees' salary decreases and increases as per the hotel's requirement. Many times, recruit more staff and sometime eliminated them. Such as, Harriot hotel is providing jobs to many people and provide wages. To become a leading hotel company, they take steps to cut staff members' salary as per their performance (Shi, 2019).

- **Pros:** It is beneficial because it helps increase the hotel's revenues and motivate employees to provide good services in the hotel.

- **Cons:** The main disadvantages of deduction of salary impact on staff members morale and they are not working properly as per the requirement.

Advertising cost: The company pays this cost to an advertising company to promote its products by different channels. It is 12% of revenues which is 7000. It is decreased by the Harriot hotel and uses social media channels for advertising their hotel. It is a variable cost because it is based on channel type (Lebedev, 2019).

- **Pros:** The hotel gets benefits that increase their revenue positively and use other sources for the advertisements.

- **Cons:** The organisation can face many problems after the deduction in amount and require to follow a set budget to spend the amount on advertising (Wahyuni and Putra, 2020).

Interest on loans: Interest is calculated in percentage as per the type of loan that has to be paid in a different time period for the privilege of using their money. It is 17% part of revenues which is 10000 has to paid by the hotel. It is a fixed amount that requires paid by an entity in a certain period of time. The Harriot hotel does not increase this amount because of paid in quickly to expand business in other cities.

- **Pros:** When the hotel paid out its interest quickly, it can positively increase its revenues. Along with it helps in taking more loans from a different institution.

- **Cons:** Due to the increase in the amount of interest, its impact broadly on revenues and create problems to survive business activities (Giorgino, Barnabè and Kunc, 2020).

Housekeeping and cleaning supplies: For cleaning the hotel, they are provided housekeeping and cleaning services to their customers. This requires to used different supplies like Krud Kutter, Colgate extra clean. It's part of revenues is 8.35, which is 5000. It is a variable cost because it is based on the hotel, which supplies they are using or not. Such as Harriot hotel decreasing cost in this item because they are using fewer cleaning and housekeeping supplies.

- **Pros:** It will help increase revenues, and staff members are properly serving their role activities. Along with without supplies, they are giving their best and satisfy the requirements of customers.

- **Cons:** The main disadvantage of this cost item is that fewer supplies impact staff members' work and are taking lots of time for cleaning. Many times, customers are disappointed with the services due to lack of supplies (Abdul Razak, Kasim and Daud, 2019).

Customer discounts: Offering discounts on different goods and services is a good way to attract customer to the hotel quickly. Discount not only carry out new business and attention as a marketing tool that can enhance the bottom line. It is a 13.35 of revenues, that is 8000. It is a variable cost because the hotel decides discount amount according to their terms and conditions, which are changing as per the market activities. When a company wants to increase customers, they increase the discount amount; otherwise, not. The Harriot hotel increases this item to increase their customers and apply some terms and conditions to save discount amount when people know about the discount, so they like to visit the hotel and increase the hotel's revenue (Setiyawati and Doktoralina, 2019).

- **Pros:** The main advantage of this item that covers more customer in a large manner that helps increase the hotel's revenues. When people arrive at the hotel and stay comfortable, they are likely to visit again.

- **Cons:** A discount on some products is risky for the hotel because of its impact on the revenues negatively. Many times, some people use a discount offer twice, so it is not beneficial for the hotel and face loss in a huge manner.

Stationeries used in front desk and restaurants: In the hotel, various stationeries at the front desk serve customers properly. Posting machine: It is essentially used in the front office for posting the different charges in the guest's accounts. It is mainly utilised to compute the overall total of the guest. It is part of revenues is 5% which is 3000 amounts. It is a semi-variable cost in which include some stationeries are fixed like entry registers, keys, pen, and many other, which is required to keep at the front desk (Boyd and Pitre, 2020). Moreover, some are variable which is not impacting the hotel if they are not keeping on the front desk like a fish aquarium, painting, TV, and many more. Thus, it is a semi-variable cost because there are applying changes as per the requirements. It is decreasing by Harriot hotel and keeping those stationeries required to keep at the front desk. It is a good way of cost-cutting strategy.

- **Pros:** The main benefit of this cost-cutting item that it helps to save revenues for further activities and easily expand business operations properly in other countries.

- **Cons:** The main disadvantage is that it is not affecting the customer and does not attract them to visit the hotel. Some stationeries are required at the front desk, which the hotel does not provide, impacting negatively (Dai, Free and Gendron, 2019).

CONCLUSION

As per the above report, it has been concluded that the UK hotel industry is growing broadly. Most people prefer to visit the UK and stay in a hotel. It is good opportunities for the hotel industry to generate income and survive after the Covid 19 positively. The hotel industry survives effectively, and customers visit the hotels. It is recommended that Harriot hotel set cost items per the requirements and, as per the necessities, increase and decrease the cost items. The employee salary decreases because they are not working in the lockdown, so provide half salary, stationeries are semi-variable, so keep required items at the front desk. Moreover, other items decrease and increase from the list as per the business's activities properly.

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