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Introduction

Management accounting is the process by which the managers of the company make certain decisions to achieve organisational goals. It also specifies the method of providing both financial data and the resources to the managers of the company to make a proper decision. This process is mainly used by the team members of the company internally which helps them to distinguish the resources from the financial accounting. Management accounting is necessary for taking appropriate decisions by analysing the available statistical and financial data (Hao *et al.*, 2020). This process enhances the overall efficiency of the decision taken in the organisation and further helps the managers to carry out the business operation of the organisation in an effective way. Management accounting also helps managers to make long-term decisions for investment. Cost behaviour highlights the total changes that occur with respect to the changes with different other activities in the organisation. There are mainly three different cost behaviours which includes fixed cost, variable cost and the semi-variable cost. Fixed cost does not change with the changes in the activity whereas variable cost changes with the sudden increment or decrement of the activities (Bas and Sivaprasad, 2020). The mixed cost is the combination of both the variable and the fixed cost and it partially changes with the changes in the activity. The essay will highlight the different cost structure along with their impact on business performances. However, the sudden outbreak of the Covid-19 pandemic has produced a huge negative impact on the overall hotel industry. It has occurred because in the UK the total occupancy rate has been decreased by 67% and in China, the total occupancy rate has been minimised by 68%. Also in 2020, the overall revenue generation of the hotel industry of the UK has been reduced by nearly 61.3%.

Main Body

In 1941, John D. Brockville first established the Harriot hotel. The key operations of the Harriot hotel are in Europe, Africa and Asia. The constant growth of the company is due to its proper expansion strategy by taking loans from good international banks. Now the Harriot hotel is planning to expand its business in China by increasing the number of rooms and its total capacity. But the Covid-19 pandemic has created a serious negative impact on the overall hotel business of both the American and the European region. So, it is necessary for the Harriot hotel to make a proper cost planning which can be further reduced, eliminated or maximised based on the process to execute the strategy of the cost-cutting of the brand.

Employee wages

Point: Harriot hotel's incurred labour cost is referred to as employee wages.

Explain: 25% of the total revenue of the hotel falls under employee wages. Hence, the hotel's expenditure on the employees is highest in comparison to its other expenses, which is tough to maintain in the midst of the pandemic. Payment of bottom level and/or part-time employees can be paid on an hourly basis which reflects the cost variability of the organisation. However, permanent and/or senior employees have fixed salaries indicating the fixed nature of the hotel's expense on them which is a major part of the employee wages (Nicola *et al.*, 2020).

Relate: Harriot is recommended to reduce the permanent employee cost by presenting with attractive redundancy offers or take the UK government's support under the "Coronavirus Job retention Scheme".

Advertising cost

Point: Marketing expenditure incurred by the hotel falls under Advertising cost.

Explain: Advertising cost covers 12% of the total hotel revenue of the hotel reflecting an average expenditure for the hotel's marketing activities.

The advertisement expenditure has a fixed nature and it is required to advertise in spite of a varying number of sales or customers. Further, the annual expenditure budget pre-decides a fixed amount of cost to cover the expenses of advertisements (Denizci Guillet and Chu, 2021).

Relate: The restrictions put forth by the UK government for international travelling give Harriot a unique chance to be slightly flexible with the advertisement cost in the current scenario as marketing activities are not much use while the Lockdown continues. Therefore, spending the same amount on the advertisements during this crisis as before adds to the hotel's losses (Stafford, 2020).

Interest of loan

Point: Amount paid to financial institutes such as banks by the hotel for debt generation in case of smooth flow of business is referred to as Interest of loans.

Explain: It comprises 17% of the overall revenue generation and the expenditure cost is fixed in this case.

Relate: It is recommended for the Harriot hotel to increase its interest in loan so that the company can invest in the sanitization, PPE kit and so on (Yu *et al.*, 2021).

Housekeeping and cleaning supplies

Point: Here, the expenditure means the total cost that has been expended for the housekeeping section of the Harriot hotel.

Explain: The housekeeping and the cleaning supplies expenditure constitutes more than 8.3% of the overall generated revenue which is less in comparison to the other expenses. It can be understood that the expenses are a mixed cost as the need for the cleaning and the housekeeping in a hotel changes with the number of guests staying in the hotel which implies that the cost can be variable. However, on the other note, the hotel rooms always need cleaning which is fixed in nature and it highlights that most of the part is fixed in the expenses (McKibbin and Fernando, 2020).

Relate: It is recommended to Harriot to maximize its housekeeping and cleaning supplies as the expenditure in this department is very low and due to the rising cases of Covid-19 pandemic guests prefer a cleaned and hygienic environment. This can help the Harriot hotel to increase its overall expenses by giving more importance to the housekeeping and cleaning department (Bonfanti *et al.*, 2021).

Customer discounts

Point: It mentions the promotional expenses of the Harriot hotel.

Explain: The customer discount constitutes a total of 13.3% of the overall expenses from the total revenue generation. The customer discounts are the third - highest hotel expenditure which is comparatively very high in the given case for the promotional reason. The customer discount cost is variable because it relies on the total number of customers who are approaching the hotel service. However, it is expected that the cost of the customer discount can decrease due to the Covid-19 pandemic (Jiang and Wen, 2020).

Relate: The Harriot hotel is recommended to remove the expenditure of the customer discount as due to the Covid-19 pandemic the number of guests in the hotel will decrease. Moreover, it is not necessary for the Harriot hotel to attract customers by giving discounts as the UK government has already given a limitation on any kind of unnecessary travels with an objective to control the spreading of the virus (Li, 2018).

Stationeries used in front desk and restaurants

Point: It highlights the cost that an organisation expenses for the stationary reason.

Explain: The cost related to the stationary consist of 5% of the total revenue generation of the hotel. The cost for this purpose is semi-variable as the stationary items like pen, paper, pencil, cutter and such items are fixed as they are daily necessary items. But the expenses or the cost required for printing any document or the printer ink and all of these depends on the total number of customers. The total printing cost can increase or decrease based on the total number of guests and thus, it implies that the majority of the cost is variable (Filimonau *et al.*, 2020).

Relate: It is suggested to the Harriot hotel to remove the stationary cost as it is a very minimum cost which is easy to eliminate and further it will also help the organisation in the overall cost-reduction process and also stop the physical connection between the guests and the hotel employees (Zhang *et al.*, 2020).

Conclusion

The overall essay has highlighted that it is necessary for the Harriot hotel to execute the strategy of cost-cutting due to the sudden outbreak of the Covid-19 pandemic. The current study has focused on the wages of the employees, stationeries and the housekeeping and the supplies of the cleaning section requires semi-variable cost and most of the parts of the departments are divided into both variable and fixed cost. However, the expenses of interest on a loan and the cost of the advertisement are fixed whereas the customer discount is a variable cost. It is recommended to the Harriot hotel to maximise the cost interest on a loan and also increase the service and the supplies of the housekeeping and cleaning as it will be beneficial to attract customers in this pandemic period. It will take time for the hotel industry to overcome the pandemic to get back to normal living and it is expected that the hotel industry of the UK will take nearly two to three years to overcome the Covid-19 crisis.

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