

University of Wales Trinity Saint David

STUDENT NAME – Marian Dragos Beaca

STUDENT ID NUMBER – 1917126

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MODULE LECTURER'S NAME: WIDIN BONGASU SHA`VEN

Introduction

Management accounting is such a kind of maintaining accounts by using the information annual financial reports. Inputs and reports of various department, results of research and other research studies and reports which assist the management team in taking effective decisions by providing accurate and to the point data to the management.

The process of making decisions is complex and an enterprise's future is dependent on such decisions and an organization is helped by Management Accounting for identifying the solutions available to the problems and to make decisions on the best solutions.

The categorization of cost is done from various means like cost which is indirect based and direct based, cost which is fixed based and variable based, cost which is Product based and Period based, cost which can be controlled and cannot be controlled, etc. The cost which is fixed is the expenditures that do not vary with output or production whereas the variable cost is the expenditures that do vary with variation in Production or Output. Although, there can be some expenditures which are commonly permanent and can vary once its reach to particular output or production level, these can be called as semi-variable or mixed cost.

Because of the pandemic, Covid-19, which affects every section of the economy, has brought an extreme depression in the economy in the year 2020. The movements of the people from here and there has been restricted by various Governments. This pandemic has hit the industry of Hospitality very badly.

I, as a Manager of Harriot Hotels, am writing down this report, to evaluate the various parts of cost and to make recommendations for the increase and decrease of the same regarding the decrease in demand and as result decrease in revenue of services of Hotel.

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Assignment

Hotel's Introduction

Harriot Hotel is one of the famous hotels among Chains of Hotel as it has its impressions across the world. This Hotel group in the 1941 year came into presence and has developed as one of the major players in the industry of hotels globally. An aggressive policy of expansions has been chosen by Harriot Hotel for which the arrangements of the funds are made by taking borrowings from different banks at the international level.

The industry of Tourism& Hotel was under a period of recession after the breakout of Covid-19 breakout, The Organisation being retained on its policy of expansion has increased year its potential in China as there were some relaxations in restrictions much preceding. But the business in many countries like Europe and UK is much slow as these countries are facing many issues in functioning the normal life and therefore the organization has made decisions to curb its few expenditures. In this study, we will research each component of cost independently and will make some decisions on controlling the cost as well by use of the methodology of PER. (BDO United Kingdom, 2021)

Wages of Employees:

During the operations of the Hotel, the expenditures are meet out for hiring the workforce.

The organization is making payments of £15,000 to their workforce which is 25% of the revenue of Hotels. Although the industry of Hospitality is a kind of industry of service therefore it is expected the cost of hiring the workforce would ever be higher but to spend a revenue of 25 % on this component of cost is too high.

This component of cost comprises variable as well as fixed cost as the workforce at the front end like the staff of housekeeping, staff of restaurant which comprises chefs and waiters and so on who can be kept on work on basis of hourly payment, therefore, their cost would variate whereas other staff members like Managers and supervisors and so on can be paid which is fixed based. However, it should be kept in note that the average cost for each individual would be more for staff like managers and supervisors in comparing the staff of operations.

The Management of Hotels should take steps to bring down the expenditures related to wages payment especially cost to staff like managers and supervisors as they are earning high and can manage the requirements of their life from the savings they do but the operational workforce may face difficulty in fulfilling their basic requirements. However, instead of wages cut this can be deferred till the moment revenues of the business come up to normal level. (Baskas, 2020)

Cost of Advertising

To attract the consumers, more expenditures are made in promoting the Hotel services. It also comprises the expenditures related to services of sales.

The organization is expending £7,000 for promoting and advertising which is 12% of the total revenue. Although the advertising is significant for attracting consumers it is required to be cut down after keeping in mind the effect of pandemic COVID-19.

The Hotels imposed commonly a capping on the expenditures of advertising as these are recognized as a fixed cost. Although the expenditures on services of sales are regarded as variable as they are dependent on room occupancy of Hotel. During the period of Covid-19, Digital Marketing which is one of the special forms of advertising can assist the Hotel in boosting its revenues.

As the amount of expenditures is very huge i.e. 12 % of total revenue, therefore, it is required to be within the limit and to be brought down to a figure of one-digit. Although it is required by the Hotel to modify the methods of advertising also and digital marketing should be more emphasized as this is the new normal after pandemic-Covid-19. There is a requirement of Social Advertising to be considered for attracting the visitors at an emotional level also. A campaign can be run by the Hotel to use the Hotel as a place for spending the time under the period of quarantine.

Interest on borrowings

Interest is the fee of servicing the payment of which is made by the Hotel for the borrowings taken from various banks and financial institutions.

The hotel is making a payment of £10,000 as charges on interest on borrowings taken and again it is holding 17% of the total revenue which is very high.

This is the cost that is fixed as the organization has to pay for borrowings taken from financial institutions and banks at the international level. The organization follows the policy of expansion to develop its approach globally and after the Covid-19 pandemic, the organization is giving a thought for expanding its business in mainland China, therefore, it is foreseen that for this expansion the organization has to take more loans from banks and financial institutions.

As these expenditures are not having any relationship with hotel revenues generated so they cannot be changed by hotels. However, the organizations can get the advantages of several aid schemes which are provided by the Government of the UK.

Supplies of cleaning and Housekeeping

The expenditures related to Cleaning and Housekeeping Supplies' can be termed as expenditures made for making payment for services related to cleaning offered to the customers and the requirements of supplies in providing these services.

The Organisation has made a payment of £5,000 under this account and which is 8.3% of the Organisation's revenue. The attention has been given by the people in providing sanitization services post-breakout of Covid-19 therefore it can be considered as expenditures account at a normal level.

The expenditures related to supplies of cleaning and housekeeping variate as they rise with the increase in occupancy of Hotel. There were some restrictions on moving of people from one place to another during the period of the lockdown which resulted in the low rate of occupancy of Hotel but as soon as these restrictions were relaxed public has begun to move not only for business but there was the increase in traveling for leisure also but the places where appropriate arrangements for sanitation has been made are preferred by the people. (Deloitte, 2021)

Consequently, there is a requirement to raise the number of expenses under this account to provide comfort to the public while staying in the hotel.

Discounts to Customers

The expenditures related to offers given to the visitors on the amount of billing, occupancy count, or faith of customers which leads to a reduction in the amount paid by the visitors are covered under this account.

The cost of this head is £8,000 to the organization which is 13.3% of the revenue of the hotel. The policy of discount of this organization is also high and for attracting the customers, there is the requirement of reviewing this policy of discount.

This kind of expenditure is variable as the loyalty of customers increases, the amount of bill rises, and then a good discount amount is offered by the Hotel. And when there is an increase in Hotels' business, there is an increase in the capability of Hotel to provide discounts and taking competitive advantage. (Eisen, 2020)

The Company is required to raise the expenditures under this account in future as there is an attraction for the customers for availing benefits of discounts and can create interest among the customers for staying in the 8hotel.

Using Stationeries in Restaurants and front desk

It includes the expenditures incurred on various items of stationery which are handy at the hotel's reception and items of cutlery in the restaurant.

The organization is making a payment of £3,000 for it which is 5% of Total Revenues. It is very high under this head.

This type of expenditure is a fixed cost as the purchases for the items of stationery and items of cutlery are made by the hotel on basis of the budget given to them for these expenditures. (Guardian, 2020)

As the hotel's occupancy is not that much till the period it reached to normal life, therefore, the hotel can make decisions of postponing new buying of items until it is required.

Conclusion

The hospitality industry is the one beyond which the UK cannot visualize its life. The public of the UK loves celebrating each season, emotion, and festival as well as their meetings of business and get-togethers, and for all these, there is the requirement of hotels. Although the practices in the industry of hotels are affected by Covid-19 and there would be a requirement of more expenditures during the period of lockdown have accomplished many projects which are long pending related to modifications and renovations projects so that they will become ready for serving their visitors with more steps taken for sanitization and better services.

We can conclude from the above observations that there is a requirement on part of the Hotel to reduce expenditures on Advertising, Stationary, wages of Employees (Guijarro & Prodromos, 2020) Expenditures, Rise in expenditures on supplies of Cleaning and Housekeeping, Discounts to Customers. Despite the interest on borrowings, it will not be possible to control the expenditures by hotels on an immediate basis however it is required to reduce the same gradually. There is a requirement of the Hotel to get an advantage at the maximum level of the projects, the announcement of which is made by the Government of UK for supporting the industry from the reversal effect because of the COVID-19 pandemic. (PWC, 2020)

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