## Strategic Managerial Accounting: Hospitality, Tourism and Events Applications

Tracy Jones, Helen Atkinson, Angela Lorenz with Peter Harris



## Contents

Forev	word by Professor Peter Harris	viii
Preface to the Sixth Edition		
1	A Strategic Managerial Accounting Perspective to Hospitality, Tourism and Events Operations	1
1.1	Introduction and objectives	1
1.2	Defining accounting and finance	1
1.3	The hospitality, tourism and events focus	4
1.4	Characteristics of hospitality, tourism and events	6
1.5	The role of managers in strategic managerial accounting	10
	Summary of key points	10
2	Financial Statements for Decision Making	12
2.1	Introduction and objectives	12
2.2	Alternative accounting statements	13
2.3	The difference between profit and cash	13
2.4	Key external financial reporting frameworks – IFRS	15
2.5	Key management accounting reporting framework – USALI	21
2.6	The purpose of such statements in aiding managers	26
	Summary of key points	26
3	Costs and their Behaviour	28
3.1	Introduction and objectives	28
3.2	Classifying costs	29
3.3	Behaviour – fixed, variable and semi-variable costs	32
3.4	Cost concepts, analysis and applications	35
	Summary of key points	44
4	Cost Volume Profit Analysis (CVP)	47
4.1	Introduction and objectives	47
4.2	CVP terminology and concept	47
4.3	CVP calculations	49
4.4	CVP in an industry context	58
4.5	Computerised 'What if?' analysis	59
	Summary of key points	66

5	Short-term Decision Making	68
5.1	Introduction and objectives	68
5.2	Relevant costs in decision making	68
5.3	Opportunity costs	69
5.4	Differences between short-term and long-term decisions	70
5.5	Types of short-term decisions	70
5.6	Long-term implications of short-term decisions	74
5.7	Scarce resources	75
5.8	Uncertainty	76
5.9	Outsourcing	76
	Summary of key points	77
6	Pricing Decisions	79
6.1	Introduction and objectives	79
6.2	Pricing approaches	79
6.3	Relationship of cost/cost structure to price	89
6.4	Developing a pricing strategy	90
	Summary of key points	90
7	Revenue and Yield Management	92
7.1	Introduction and objectives	92
7.2	The concept of revenue management	93
7.3	Characteristics for revenue management	95
7.4	Revenue management in different environments	99
7.5	Revenue maximisation or profit maximisation?	100
	Summary of key points	101
8	Costing and Customer Profitability Analysis	103
8.1	Introduction and objectives	103
8.2	Market decisions	103
8.3	The accounting/marketing interface	105
8.4	Activity-Based Costing (ABC)	107
8.5	Activity-based management (ABM)	109
8.6	Customer profitability analysis (CPA)	110
8.7	Profit sensitivity analysis (PSA)	113
	Summary of key points	117
9	The Use of Budgets in Organisations	119
9.1	Introduction and objectives	119

9.2 9.3 9.4 9.5	The role of budgets Master budget preparation Budgetary control Behavioural aspects of budgeting	120 121 132 138
9.6	Beyond Budgeting/Better Budgeting Summary of key points	141 144
10	Event and Function Management Acounting Techniques	148
10.1	Introduction and objectives	148
10.2	Features of the events and function sector	148
10.3	Event planning phase management accounting tools	149
10.4	Management accounting tools for use during the event	154
10.5	Post-event performance review management accounting tools	157
	Summary of key points	160
11	Financial Analysis of Performance	162
11.1	Introduction and objectives	162
11.2	Methods of analysis	163
11.3	Scanning, trend analysis and time series	163
11.4	Comparative and common-size statement analysis	167
11.5	Types of ratios	172
11.6	Ratio analysis illustration	173
11.7	Financial ratios	175
11.8	Interpretation of results	182
11.9	Operating ratios	184
	Summary of key points	190
12	Working Capital Management	193
12.1	Introduction and objectives	193
12.2	Understanding working capital	193
12.3	Working capital financing policy	195
12.4	Working capital characteristics	196
12.5	Working capital ratios	197
12.6	Management of inventory	200
12.7	Managing accounts receivable	205
12.8	Managing accounts payable	209
12.9	Management of cash	209
	Summary	213

v

13	Business Finance	215
13.1	Introduction and objectives	215
13.2	Short-term sources of finance	215
13.3	Long-term sources o f finance	217
13.4	The weighted average cost of capital (WACC)	220
13.5	SMEs and micro businesses	221
13.6	Sector-specific financing	222
	Summary	224
14	Capital Investment Appraisal	227
14.1	Introduction and objectives	227
14.2	The value of investment appraisal	227
14.3	Example data	228
14.4	Accounting rate of return (ARR)	229
14.5	Payback period (PBP)	230
14.6	The time value of money	232
14.7	Discounted payback period	234
14.8	Net present value (NPV)	235
14.9	Internal rate of return (IRR)	236
14.10	Profitability index	238
14.11	Uncertainty in investment projects	239
14.12	Integrated strategic approaches	239
	Summary of key points	240
15	Performance Measurement	243
15.1	Introduction and objectives	243
15.2	Performance measurement history and development	243
15.3	Key frameworks and models	245
15.4	Performance measurement in hospitality, tourism and events industries	250
15.5	Benchmarking performance	252
	Summary of key points	254
16	Strategic Management Accounting	257
16.1	Introduction and objectives	257
16.2	Why strategic management accounting? Definitions and evolution	258
16.3	Linking strategy and accounting (strategic versus traditional accounting)	259
16.4	Boston Matrix, risk return and cash	260
16.5	Value generation and value drivers	261
16.6	Product lifecycle, profit cash and investment	263

16.7	The Balanced Scorecard (BSC)	266
16.8	Activity-based management (ABM)	266
16.9	Other management accounting tools considered to be strategic	267
	Summary of key points	268
17	Critical Success Factors and Management Information Needs	270
17.1	Introduction and objectives	270
17.2	Management information needs	270
17.3	Defining critical success factors (CSFs)	273
17.4	The relationship between goals, CSFs and measures	274
17.5	The use of CSFs in an organisation	276
	Summary of key points	278
18	Sustainability and Environmental Management Accounting	280
18.1	Introduction and objectives	280
18.2	The triple bottom line (people, planet and profits)	281
18.3	Managing a sustainable business	282
18.4	EMA reporting	283
18.5	Environmental management accounting guidelines	288
	Summary of key points	289
19	Not-for-profit Organisations	292
19.1	Introduction and objectives	292
19.2	Defining a not-for-profit organisation	292
19.3	Their significance to the hospitality, tourism and events sectors	294
19.4	The implications for management accounting approaches	295
	Summary of key points	300
20	Current Issues in Strategic Managerial Accounting	302
20.1	Introduction and objectives	302
20.2	Management accounting change over time	302
20.3	Use of management accounting in hospitality, tourism and events	303
20.4	The role of the management accountant	305
20.5	Contemporary applied research	306
20.6	Managerial accounting and the reader	308
Sumn	nary of key points	309
	Answers to self-check questions	311
	Index	321