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A Strategic Managerial Accounting Perspective to Hospitality, Tourism and Events Operations

1.1 Introduction and objectives

Accounting and finance are generally considered as three separate disciplines: financial accounting; management accounting; and financial management. This textbook focuses on management accounting, including contemporary strategic management accounting tools and techniques. The discussion of this subject discipline is related specifically to hospitality, tourism and events and viewed from a manager's perspective – hence the title: Strategic Managerial Accounting: Hospitality, Tourism and Events Applications.

After studying this chapter you should be able to:

- Understand the difference between managerial and other forms of accounting
- Explain the main characteristics and feature of the hospitality, tourism and events businesses and their implication for accounting
- Reflect on the way managers can utilise strategic management accounting information to aid planning, control and decision making.

1.2 Defining accounting and finance

Before discussing strategic managerial accounting the standard three disciplines of: financial accounting, management accounting, and financial management will be defined and explained. Management accounting shares some common terminology with financial accounting and even though the basic data for both

can be collected and collated within the same computer systems, financial and management accounting have many differences, as summarised in Table 1.1.

Table 1.1: The differences between financial and management accounting

	Financial accounting	Management accounting
Users	External to organisation, including shareholders, lenders, suppliers, regulatory authorities, government, employees, customers	Internal to organisation, including managers at all levels
Purpose	Reporting for accountability and corporate governance purposes. Historically focused, recording what has happened.	Decision support – information designed to be used by non-accountants to aid them in decision making. Forward focused, using financial information to aid the future of the operation.
Frequency	Annual – routine	Monthly, weekly, daily, either routine and non-routine reporting (ad hoc)
Level of reporting	Whole organisation, plus some limited reporting of different segments of business	Multiple levels – unit/venue level, product or service level, departmental level, by customer, geographic region or whole organisation as required
Type of data	Financial data and compliance data	Financial and non-financial data
Focus of reporting	Accurate and verifiable (audited)	Timely and useful, to aid managers
Regulation	Regulated by General Accepted Accounting Principles (GAAP), rules established in international financial reporting standards (IFRS) and specific International Accounting Standards (IAS)	No regulation, or requirement to use

1.2.1 Financial accounting

Table 1.1 identifies that financial accounting is concerned with reporting the organisation's financial position and performance on an annual basis for external users. It is mainly at the level of the company as a whole. It is recording what has happened in the past year, so is historic in nature. The key point is it is a legal requirement, in some form, for all businesses.

1.2.2 Management accounting

In contrast, management accounting is focused on providing data and information to aid managers inside the organisation to make better informed decisions. It is therefore forward looking, previous trading period data may be used, but only to aid future decision making. The function of 'control' reviews past financial information, but only to learn from it for the future of the company. Unlike financial accounting, a business has total control in what it decides to do (or not do) with regards to management accounting. A business decides which tools and techniques to use, how to use them and the frequency appropriate within the specific business. This is sometimes described as being like a 'sweet shop' you

can pick and mix techniques. The key issue is business can get stuck doing things they have always done and not be open to newer developments in management accounting (these are discussed at some length throughout this textbook).

Management accounting aims to provide managers with necessary information to plan, monitor and control organisation operations. It encompasses a range of techniques which support a range of decisions such as: whether to start a business, what prices to set for services and products, how much investment will be required and how much it will cost to produce/deliver a product or service. The extension to the strategic level is discussed in more detail in the next section.

Finally it is worth noting that the term 'cost accounting' is sometimes used synonymously with management accounting, this is because the management accounting techniques of today evolved from the cost accounting that was developed in the manufacturing environments of the early 20th century. However, costing is now more accurately considered as an aspect within the broader definition of management accounting.

1.2.3 Financial management

Financial management is another discipline within accounting and finance, which shares data and terminology. However in this area the focus is on planning and controlling financial resources, so the financing of a business rather than its operation. Financial management thus focuses on such matters as, complex arrangements for raising finance and valuing business, it overlaps with management accounting in areas such as long-term decision making and working capital management.

1.2.4 Strategic managerial accounting

Strategic management accounting (SMA) extends management accounting as it is externally (market and competition) focused and extends the use of data from purely financial to include financial and non-financial data to provide information to support management decisions. Give the focus it is strategic in nature, whereas management accounting can be more operational and tactical (short-term) in focus.

Strategic management accounting is the accounting discipline. This textbook is concerned with a management perspective, the managerial use of SMA, alongside more traditional management accounting techniques. Hence strategic managerial accounting can be defined as:

The use by managers of strategic management accounting to support their decision making in a competitive environment.

In this textbook where the boundaries between accounting and finance discipline areas overlap chapters have been included to aid the reader in understanding strategic managerial accounting more clearly by explanation of these supporting aspects of accounting and finance. Chapter 13, 'Business finance', provides an