

Management Accounting for the Hospitality, Tourism and Leisure Industries

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Preface

This third edition of this textbook has been written during some of the most turbulent times experienced not only in the hospitality and leisure industries but within the world economic environment in general. The bounce back from the Covid years and the impact of the pandemic on the sector has created extensive demand for travel, tourism and hospitality experiences. Whilst revenue have surged to almost 2019 levels, the sector has faced increased challenges from rising operational costs and high levels of inflation coupled with a growth in interest rates, all of which combine to impact on the conversion to profit. It has become increasingly important for business managers and their teams to fully understand the drivers of revenue, market segmentation and the strategic management of costs in order to achieve target conversion to profit and return on investment.

Modern strategic management theory suggests that the speed of change is such that the traditional approach to strategic management processes with a linear step by step process can no longer be applied, and instead, an ongoing integrated approach is required. As a result, the requirement for strategic management accounting information to support the strategic decision making and control process has never been more vital.

Working with accurate information is at the heart of the decision-making process and the finance function is at the centre of the management of an organisation's data, producing not just the statutory accounts but essential daily, weekly and monthly updates for all the operational teams across the business. Traditionally the role of management accounting has been heavily biased towards the comparison of costs with revenues, focusing on the internal operations of the business. Accounts are, by definition, historical and inward-looking, and the process of accounting is governed by the underlying concept of prudence. However, there is a need in most organisations for accounting information to be produced with a strategic perspective in mind. This involves considering not just the internal operations but also the external environment and the impact of the competition.

If used effectively, the process of strategic management accounting can provide the financial information required to monitor existing business strategies and provide support for strategy formulation. Consequently, this book has been written to follow the chronology of the strategic decision making process with the aim of placing management accounting in the context of strategic decision making.

The chapters in Part 1 start with a review of the basic principles and practices of financial management and strategic management. They include an introduction to the strategic management process and an overview of rudimentary accounting practices and techniques. These chapters are intended for those who have limited knowledge of financial accounting. The chapters within Parts 2 and 3 are designed to provide a range of tools and techniques to support the processes of internal and external audit. The aim of Part 2 is to address the role of financial information in a strategic review of the environment. It examines the role of competitor accounting, strategic cost analysis and pricing. Part 3 covers the strategic process of internal appraisal, focusing on budgetary control, working capital control and performance measurement. Part 4 focuses on the determination of corporate strategy, providing chapters on financing, investment appraisal, risk assessment and cost of capital measurement. Part 5 concludes by considering the future of accounting in the hospitality, leisure and tourism industry with an overview of the importance of accounting for sustainability.

Generally, the approach adopted throughout the text is to demonstrate the financial technique under discussion with appropriate examples drawn from the sector. Some financial techniques have been given greater prominence than might be normally expected due to their particular relevance to the hospitality, leisure and tourism industry. Chapter 13, on business valuations, is such an example. Where possible the financial theories have been illustrated with practical insights based on research drawn from the industry sector and the author's own experience over many years associated with the UK hospitality and tourism industry.

This book is intended for undergraduate programmes and post graduate courses in hospitality, tourism and leisure management and related disciplines. This book will also be useful for middle to senior managers working in the sector, particularly those engaged with management development programmes. A range of additional resources are available for facilitators and tutors. Finally, I am delighted that this book has been used for a number of years for both non-financial and accounting students requiring more knowledge about the hospitality, tourism and leisure industries. I hope that you enjoy this revised and updated third edition.

Debra J. Adams

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