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BOOK REVIEWS

Financial Management for Hospitality Decision Makers

Chris Guilding

Boston: Butterworth-Heinemann, 2002, 238 pages, ISBN 0-7506-5659-X

Professor Guilding of Griffith University has published a hospitality financial accounting textbook leaning more toward accounting functions than finance functions (13 out of 20 of the bibliography entries are accounting related). Written as a university textbook (applicable for second-year hospitality students), this book contains a wide range of discussions and cases that should interest hospitality practitioners and policy makers.

Setting uniformity of accounting standards in hospitality worldwide, the *Uniform System of Accounts for the Lodging Industry* is introduced early in Chapter 1. The perspectives of hospitality decision makers on aspects of financial management are clearly defined within a prototypical hotel's executive committee and the contents of the text are generally written for these personnel.

The majority of the 12 chapters focus on standard hospitality accounting topics such as double-entry analysis, cost management, pricing, budgeting and responsibility accounting, financial statement preparation, cost-volume-profit (CVP) analysis, working capital, adjusting and closing entries, etc. These are relevant accounting topics and issues related to operations personnel like the controller and members of the executive committee. Notwithstanding, treasury-related hospitality financial functions can be included like financial markets and raising capital, economic studies, project finance and hospitality valuation/appraisal methods, simulation exercises, etc., may give the students and practitioners financial insight of the industry.

Irrespective of these imperfections, the strength of Professor Guilding's book is its comprehensiveness covering extensive areas within the accounting cycle. The text is easy to read, easy to use with end-of-the chapter summaries, cases, exercises and well defined exhibits very relevant to the hospitality accounting. To indicate an international flavor, Professor Guilding used many examples with foreign currency symbols like dollars, sterling pounds, and euro-dollars intermittently.

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Accounting for the Hospitality Industry, Third Edition

Elisa S. Moncarz and Nestor de J. Portocarrero

Upper Saddle River, NJ: Prentice-Hall, 2004, 408 pages, hardcover, ISBN 0-13-973884-3

As the title suggests, this text explores the use of financial accounting information uniquely suited to the hospitality industry. This is a practical introductory textbook

aimed at undergraduate hospitality management courses and management development programs. Although it looks more compact than most textbooks of its kind, it does contain a full scope of practical bookkeeping and selected accounts preparation topics. The content of the book is the result of the authors' experience as accountants and professors in accounting/finance programs.

This textbook comprises thirteen chapters, which are organized into three sections. Section one begins with two introductory chapters of basic accounting framework and concepts, followed by a comprehensive, step-by-step illustration of the accounting cycle and various accounting practices used in the hospitality industry. Section two details the major financial statements with an introduction to the *Uniform System of Accounts for the Lodging Industry*. Some of the hospitality-related topics are illustrated in section three, which includes coverage of property and equipment, inventory, receivables and payables, corporate accounting, and financial statement analysis.

One of the features of this book is the degree of depth, complexity, and detailed treatment on selected discussions. For example, the accounting cycle is well explained with systematic steps in each of the phases. The long problems at the end of each chapter provide more extended and thoughtful exercises that integrate the material presented and challenge students with a certain level of difficulty.

However, its comprehensive chapter on payroll accounting, including Canadian tax regulations, may not be practical for an introductory textbook, particularly for students in their first-year hospitality program from countries outside Canada. The elaborate discussion on property and equipment may also frustrate readers from a non-accounting background. Another concern with the content of this book is the inadequacy of coverage: a ratio analysis section is only introduced in the last chapter of the book. A common analytical term to measure the day-to-day hospitality operational efficiency, RevPAR (revenue per available room), is noticeably left unmentioned. The absence of topics from a hospitality management perspective, such as cost management, budgeting, and cost-volume-profit (CVP) analysis, may disappoint target users in management development programs.

A number of limitations are to be specified after a cursory glance at the text. The lack of a summary of important paragraphs and highlighting key terms in the margin seems to decrease the level of readability. More diagrams and charts to explain difficult concept would certainly enhance user friendliness and further enrich the learning experience. Like most textbooks from major publishers, this book has a companion website containing student exercise workbooks and teaching aids for instructors. It does not, however, feature basic online resources such as chapter summaries, self-evaluation quizzes, and useful links that provide additional information not covered in the text. While a complete set of financial statements from a well-known restaurant chain is featured in appendix B, statements from a hospitality firm with both lodging and dining facilities would likely offer more thorough insight into the discussions in the book.

Overall, this is a very practical, well-written text, with clarity and depth as its major merit and limitation of scope as its chief defect. The text is capable of being used within a

more specific field of hospitality accounting education. For the next edition, the authors may wish to consider some fine-tuning and bringing in a more managerial flavor to serve a larger audience.

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Hospitality Management Accounting, Eighth Edition

Martin G. Jagels and Michael M. Coltman

Hoboken, NJ: Wiley, 2004, 612 pages, hardcover, ISBN 0-471-09222-3

The eighth edition of *Hospitality Management Accounting* is an extension of the previous editions with added features and revised content. The text takes a managerial perspective and presents a broad scope of both accounting and finance functions relevant to the hospitality, tourism, and service industry. While hospitality practitioners put their major focus on maximizing profits and minimizing costs, this book explores the effective implementation of managerial accounting techniques as a crucial factor in meeting organizations' financial objectives. The text is therefore very useful in developing fundamental concepts and analytical skills for future hospitality decision makers.

The preface indicates that the text is designed for students in hospitality management and accounting-oriented courses. Although not explicitly specified by the authors, it seems to be of great usefulness for those who are in management development programs and for hospitality managers who lack a fundamental accounting background.

The first chapter of the book introduces basic financial accounting concepts. Some special features of adjusting entries have been expanded in detail with the various depreciation methods and a discussion of an accounting cycle. The second and third chapters emphasize understanding, analyzing, and interpreting the financial statements through examples of comparative balance sheets and income statements, supported by good illustrations on perpetual inventory.

Chapter 4 gives a full discussion on ratio analysis and how changes in the current accounts affect the current ratio as well as working capital. Excellent illustrations depict the rapidly changing trends of credit card sales in conjunction with accounts receivables. Chapter 5 discusses various internal control methods, such as proper documentation and cash receipts as part of the measures. Special emphasis is given to bank reconciliation and a brief look into the some common ways in which misappropriations of assets occur, such as lapping, food and beverage revenue, and cash funds payroll as fraudulent practices.

Chapter 6 gives a step-by-step account to the bottom-up pricing method and how it can be compared to a completed income statement. It provides special techniques to determine operation income (before tax) and net income (after tax). Chapter 7 looks at cost management through the various fixed and variable costs for a variety of different

business decisions. Three methods used in separating semi-fixed or semi-variable costs into their fixed and variable elements are introduced: high-low calculation, multipoint graph, and regression analysis.

Chapter 8 stressed the importance of relationship between breakeven sales volume and breakeven unit sales. Students following this approach can grasp a clear understanding of various functions and the steps to complete a cost-profit-volume analysis. Chapter 9 gives a step-by-step format in the preparation of a departmental operating budget while explaining the concept of zero-base budgeting and its value in controlling the undistributed costs. Variance analysis is discussed in a brief section on forecasting methods using such techniques as moving averages and regression analysis.

Chapter 10 contains a full discussion how key operating, financial, and equity accounts are used to develop a statement of cash flows and working capital analysis. Chapter 11 takes the reader through cash management with presentations on cash receipts and disbursements and their implications on a cash budget. Examples and procedures are given on bank float, lockbox, and aging of accounts receivables as well as using CVP to calculate the revenue required to provide a desired cash flow amount.

Chapter 12 discusses capital budgeting and investment decisions. It presents accounting rate of return and the payback period as simple methods before focusing in discounted cash flow in conjunction with net present value and internal rate of return via the illustration of leasing versus buying decisions. Finally, though supplementary in nature, chapter 13 and 14 provide some delightful insights to feasibility studies and to financial goals and information systems: two pieces of much needed practical information in a real world's hospitality financial accounting framework.

The purpose of the book is well attained by its emphasis on the interpretation (while less on construction) of accounting information from a managerial perspective. The practical exercises, extended problems, and problem-solving questions support the content as relevant supplements. The chapter-end cases are well organized in a sequential manner and build on the materials covered in previous discussions to further enhance the learning experience. The cases present comprehensive illustration of financial applications from preparing, analyzing, and interpreting financial statements to forecasting, budgeting, and making investment decisions. These practices not only focus on calculation accuracy, but also help students develop critical thinking and business writing proficiencies. This book can then serve managers as a reference when financial issues and problems arise.

Given the current significant increase in unethical business practices, it is important for business textbooks to instill the value of integrity and include materials with ethical implications. The real-life ethics situations provided at the end of each chapter give readers insight into possible ethical dilemmas in the hospitality industry, and hopefully encourage students to adopt correct behavior when facing such challenges. Regarding unethical subjects, the chapter on internal control identifies common methods of theft and fraud confronted in today's hospitality business environment. Accompanying with a discussion on basic principles and procedures of internal control, the book thoughtfully

addresses the importance of business ethics and suggests preventive solutions for managers to incorporate an honest and ethical discipline throughout the workplace.

Overall, *Hospitality Management Accounting*, Eighth Edition, is a well-written and high-quality publication that will serve the audience well as its precedent editions. It effectively meets its objectives and stimulates the textbook learning experience with its relevant supplementary materials. Although introductory in nature, this book is considered to be a valuable enhancement to the hospitality educational resources.

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