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Cash in Hotels and Clubs: 2020 and Beyond

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ABSTRACT
Cash is the lifeblood of any business. Even if a business has cash but is not properly managed, the operation will suffer. One hundred and sixty clubs and hotels shared their accounts receivable and accounts payable practices. In addition, for the users and usage of the statement of cash flows and cash budgets, how often such statements are prepared are documented as points of comparison. It is found that both clubs and hotels view the cash budget more favorably than the statement of cash flows, and hotels are more vigilant, employing more practices to collect their accounts receivable. Managing the cash conversion cycle and monitoring the depreciation/revenue ratio are two highlights suggested.

Keywords: clubs, hotels, statement of cash flows, cash budgets, accounts receivables, accounts payables

Introduction

What goes up must come down—such is true in any business cycle; such is true in any economy. In the United States, during the mid to late 2000s, with the subprime and housing market crises, the economy suffered tremendously as the unemployment rate rose to as high as 10% (Bureau of Labor Statistics, 2012). By the end of 2015, the unemployment rate improved to near prerecession level at 5% (Kang & Williamson, 2016). Since 2016, the economy has been improving steadily. In October 2019, the unemployment rate was reported at 3.6% (Bureau of Labor Statistics, 2019).

While all these are positive indicators, signs of slowing down begin to appear in the lodging industry. A panel of industry experts at the Hospitality Asset Managers Association meeting in September 2019 signaled that the downturn has begun (Kubacki, 2019). One month later in October, STR reported year to year comparison of September 2018 and 2019 with a 0.9% decline in occupancy, and a 0.3% drop in RevPAR, which was helped by a 0.6% increase in ADR. Among the 25 top U.S. markets, Orlando reported an 11.95% decrease in RevPAR to $64.55, while Miami had the largest decrease in ADR at 4.3% (*Lodging* Staff, October 2019). One month later, HotStats also reported a 2.8% drop year to year comparison of GOPPAR (gross operating profit per available room) in the month of October, which was the result of a 2.1% drop in RevPAR and 1.8% drop in ADR during the same time period (*Lodging* Staff, December 2019). As for the club industry, as it is mostly nonprofit in nature, any economic changes can affect businesses as profit margins are low or nonexistent in the first place. And, regardless of when the economic downturn may arrive in 2020 or beyond, having sufficient cash on hand is always a prudent management protocol.

The two accounting tools that help owners and management to evaluate their cash holding in the business are the statement of cash flows and the cash budget. The former is part of the financial reporting requirement; and the latter, though not required, is a very useful planning tool for a business to estimate its cash receipts and obligations for the future

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(Schmidgall, 2016). In addition, there are a few other line items that are on a balance sheet that can help a business to better manage its cash. First, accounts receivable and its related policies, including the methods and timing of collections can affect the amount of cash a business has. On the other hand, the accounts payable and its related practices, such as taking cash discounts can also affect the amount of cash a business carries on hand. Furthermore, noncash items, such as depreciation expense, do not affect the cash level in a business, yet depreciation expense lowers the profit before tax and enables a business to therefore pay less taxes and conserve cash.

Need for the Study

For any business, cash is one of the most important assets, and this is even more important if the current economy may soon be experiencing a slowdown. While studies have been performed on financial ratios (Schmidgall & DeFranco, 2016a; Schmidgall & DeFranco, 2016b), cost of employee turnover (Tracey & Hinkin, 2008), capital budgeting (Turner & Guilding, 2012; Turner & Hesford, 2019), and even capital investments, sunk costs, and profitability in various segments of the hospitality industry (Hesford & Potter, 2010), few have covered cash budgets and the statement of cash flows. The last one that was conducted on how cash is handled in both hotels and clubs was published in 1999 (DeFranco & Schmidgall, 1999), two decades ago. DeFranco and Schmidgall (2017) also studied cash budgets in clubs, but it was more on control and management and not on the statement of cash flows nor specifically on the accounts receivable and accounts payable practices, thus leaving a gap in the literature.

More importantly, cash is the lifeblood of any business. And, even if a business has cash but it is not properly managed, the operation will not be successful (Oler & Picconi, 2014). Whether the operation is in the club business which may even be nonprofit or is part of a big public company in the hotel arena, having sufficient cash can help boost the liquidity ratios of an operation, making it more desirable for creditors and investors. Therefore, a study of cash management and its related financial tools and practices is most timely.

Purpose of the Study

Given the aforementioned reasons, this study had three specific objectives:

1. Document current accounts receivable and accounts payable practices in clubs and hotels
2. Document the usage of the statement of cash flows and cash budgets in clubs and hotels
3. Compare and contrast the cash management practices in (1) and (2) above

As the unit of study is an individual club or hotel rather than at the corporate or regional levels, the answers to these objectives should shed light on how cash is being managed at the property level, and the results can offer management benchmarks to compare to their own operations so adjustments and improvements can be made.

Literature Review

Accounts Receivable and Payable Practices

When accounts receivable and payables are being discussed, one must first understand the cash conversion cycle. In the hospitality business, whether it is clubs or hotels, the operation needs to first purchase the inventory, pay for the inventory, and at the same time, sell the inventory and collect the amount due for the sale of the inventory so the operation can once again buy new inventory. The cash conversion cycle therefore starts from when actual cash is used to pay for the inventory until cash is received as payment of the sale of the inventory. To make the best use of cash on hand, an operation should defer the payment of the accounts payable as related to the purchase of the inventory. By doing so, one is delaying the start of the cash conversion cycle. And when the inventory is sold, an operation should do as much as possible to shorten the accounts receivable collection period, so the cash paid out for the purchase of inventory be converted back into cash when the accounts receivable are collected (Schmidgall, 2016). Thus, both accounts receivable and payable practices are important. Mathematically, three financial ratios measure the effectiveness of managing the cash conversion cycle: the days inventory turnover (inventory holding period), the days accounts receivable turnover (accounts receivable collection period), and days payable outstanding (or pay deferral period). The cash conversion cycle therefore is adding the days inventory turnover to the accounts receivable turnover and subtracting from that the days payable outstanding (Schmidgall, 2016).

Thus, any accounts receivable practices such as on-time billing, taking credit card payment, and requiring deposits will shorten the accounts receivable collection period and thus the cash conversion cycle. Similarly, any accounts payable practices to extend the days payable outstanding—such as timing all payments, taking all 30 days terms, and not paying a bill on the first day it arrives—will in turn also shorten the cash conversion cycle. Silwoski (2018) echoed the importance for a company to understand its cash conversion cycle and to make sure to include seasonal demand on working capital, obligations of long-term debt, dividends payments and like items and how the timing of the cash needs affect the company's road map of cash.

The Statement of Cash Flows

The statement of cash flows is a required financial statement for fiscal years ending after July 15, 1988, according to the Summary of Statement No. 95 of the Financial Accounting Standards Board (www.fasb.org). For hotels that may operate internationally, the International Financial Reporting Standards (IFRS) also have guidance on this statement (www.ifrs.org). Thus, both the Uniform System of Accounts for the Lodging Industry—USLAI (Hotel Association of New York City, 2014) and the Uniform System of Financial Reporting for Clubs—USFRC (CMAA, 2012) also include the details regarding the preparation of this statement.

The statement is organized into three sections, starting with operating activities, investing activities, and finally financing activities. Within each section, any activities that cause an inflow or outflow of cash are included. And when all the totals of each section are added to the beginning cash balance of a period, the ending cash balance of that period is derived. In other words, the statement of cash flow serves as a detailed explanation of how the balance of cash at the beginning of a period becomes what it is at the end of a period (Weygandt et al., 2009). There are two equally acceptable methods to compile the statement of cash flows: the direct and indirect approaches. The indirect approach is more commonly used and is included in both the USALI and USFRC.

Research had been performed using the statement of cash flows to predict corporate failure (Sharma, 2001). Bhandari and Iyer (2013) added the information from the statement of cash flows, together with other financial ratios to also predict business failures. However, to be more proactive, Arnold, Ellis, and Krishnan (2018) advocated using the information from the statement to track a firm's progress.

The Cash Budget

The cash budget is different from the statement of cash flows in that it is not a required statement, and it is a managerial tool. Thus, it helps owners and managers to plan their cash receipts and disbursements in the future rather than recording what happened in the past. In this case, many see the cash budget to be more useful than the statement of cash flows.

Two methods are used to prepare a cash budget—the cash receipts and disbursements approach and the adjusted net income approach (Schmidgall, 2016). The cash receipts and disbursements approach is more intuitive where a beginning cash balance is estimated for a certain period. Then, any cash receipts for that period will be added to the beginning balance while any cash disbursements will be deducted from the beginning balance to derive the ending cash balance for the period. The cash receipts can include cash sales, cash collections from credit sales, cash collections from billing from previous periods and others. As long as it is cash coming into the operation, it is added. Cash disbursements can include anything that the operation needs to pay out in cash in that particular period. From payroll to paying vendors, from paying quarterly taxes to bonuses and incentives, all cash disbursements are totaled. An operation will then compare that ending balance to a set target cash balance to see if the operation meets its cash holding goal for the period. Finally, the budgeted ending cash balance for that period will become the beginning cash balance for the subsequent period (DeFranco & Lattin, 2007). While many operations do have a target cash balance, Oler and Picconi (2014) advocated the use of a range rather than a specific number as this provided more flexibility for the operation as these were estimated figures.

Cash budgets are normally prepared for a period of three to six months so operations can see if the cash level might be falling short in the near future so that adjustments can be made or if extra financing sources need to be contacted. Should there be an infusion of cash, perhaps the operation can plan for remodeling or even paying bonuses to the employees. For a longer period of six months and more, the adjustment net income approach is preferable (Schmidgall, 2016). The adjusted net income approach, at first glance, looks very similar to the operating cash flow section of a statement of cash flows. Instead of cash receipts and disbursements, this approach starts with the net income for the period, and then classifies cash into sources and uses of cash, and adds them to the net income to adjust that amount into cash. Therefore, depending on the timeline an operation desires, it can use either approach to fit its needs.

One line in both the statement of cash flow and the cash budget that deserves a quick discussion is depreciation expense. In the indirect approach of the statement of cash flows and the adjusted net income approach of the cash budget, depreciation is added to net income as an adjustment. This is because although depreciation is an expense that is subtracted in an income statement to derive net income, as a noncash expense, that amount of depreciation has not been disbursed and therefore is still in the operation and can be used by the operation on any item the owner or management deems necessary. Thus, one can view the depreciation expense as a savings account so that when the long-term assets are fully depreciated, it will also be about time that such assets need to be replaced.

The ratio of depreciation over revenue is very useful. First, various internal company polices, or consultants suggest a minimum of 3–4% saved as capital reserve, with certain types of hotels having replacement percentages as high as 9% (ISHC, 2018). Thus, the reserve amount is a must. Second, the ratio can signal to a business that its long-term assets are about to be obsolete and planning for replacement is on the horizon. A lower or decreasing depreciation to revenue ratio is not favorable. Take a look at an example using a simple straight line depreciation method to depreciate some new furniture purchased for remodeling a hotel at a cost of $2 million and the revenues for that year were $4.0 million. The furniture will last for eight years until the next renovation, and there will be no salvage value. If the straight line method is used, the annual depreciation expense for this one asset will be $250,000. If the revenue is at $4 million, then the ratio is 6.25%. However, after 8 years, there is no more depreciation to take and thus the ratio is 0%. If an accelerated depreciation method is used, the decline in this ratio will be more apparent. Therefore, keeping a close watch on the depreciation/revenue ratio is very useful.

Methodology

In order to provide answers to the aforementioned objectives, a survey was created to collect the necessary data regarding the usage of the two financial tools and also the accounts receivable and accounts payable practices for hotels and clubs.

Survey Development

Due to the scant literature on the topics, the survey was developed using the Schmidgall and DeFranco (1997) study as a starting point. Then, practices that are commonly used in hotels and clubs in accounts receivable and payables were updated due to the technology advancements in the last twenty years. A pilot survey was then performed with both hotels and clubs participating to ensure the validity of the questions, resulting in two surveys—one for clubs and one for hotels. Differences of course occurred in the wording; for example, “guests” was used for hotels while “members” was used for clubs. The size of hotels was measured by number of rooms, and the size of clubs was measured by number of members. Both surveys were identical in that the first section was designed to collect demographic data of the clubs and hotels. Section II was on the statement of cash flows while Section III asked questions regarding the cash budget. Practices regarding accounts receivable and payable were also asked in section three, as practices directly affecting the cash receipts and disbursements in the cash budget.

Data Collection and Analysis

Hospitality Financial and Technology Professionals (HFTP) shared their club and hotel membership for this study. In September 2018, 788 emails were sent to the club membership via the Qualtrics survey environment. After a few reminders, 90 usable results were collected. Subsequently, 604 emails were sent to the hotel membership in February 2019, using the same survey platform and resulted in 70 responses, yielding a combined response of 160 surveys at a rate of 11.5%. The confidentiality and anonymity of the respondents were protected in that the results could not be linked back to an individual response. This study used SPSS version 24 to analyze the data, and descriptive statistics were tabulated.

Results

The findings and comparison between the two industries of clubs and hotels corresponding to the objectives of this study were documented in the following subsections.

Profiles of the Clubs and Hotels

Of the 90 responses in clubs, 49.4% of the respondents held the title of Controller, while CFO constituted another 32.5%. For hotels, Directors of finance/accounting was the most reported title at 40.5%, while the more traditional title of controller was only reported at 21.9%, with CFO as a close third at 17.2%. Almost 55% (54.9%) of the clubs were country clubs and 48.8% had 301–750 members. Of this, the 301–500 category reported at 25.6%, and the 501–750 member category was at 23.2%. In the hotel group, luxury (25.0%), Upper Upscale (28.0%), and Upscale (21.9%) were the three dominated groups and over 80% were either full-service properties (69.4%) or resort properties (15.3%), with 66.1% of the properties located in city center. In terms of rooms, the two largest groups were 251–500 room hotels at 39.0%, followed by the 101–250 rooms hotel at 27.1% (See Table 1).

Accounts Receivable and Payable Practices in Clubs and Hotels

Policies that clubs and hotels had in place for billing and collecting their accounts receivable to remitting the payments to their vendors and creditors for their accounts payable do affect the level of cash in the operations. "NA/s" are seen in certain cells of Table 2 as they are not the more used practices.

Accounts Receivable. For clubs, the amount of accounts receivable ranged from as low as $22,000 to as high as $6 million. For hotels, the range was lower with the lowest recorded at only $800 and

Table 1. Demographics of the Clubs and Hotels

Club Size (by membership)	Percentage	Hotel Size (by rooms)	Percentage
<300	12.2	<100	6.8
301–500	25.6	101–250	27.1
501–750	23.2	251–500	39.0
751–1,000	14.6	501–1,000	8.5
1,001–2,000	13.4	Over 1,000	18.6
>2,000	11.0		
Types of Club	**Percentage**	**Hotel Type by Service**	**Percentage**
Country Clubs	54.9	Full Service	69.4
Golf Clubs	24.4	Resort	15.3
City Clubs	6.1	Limited Service	6.8
Others	14.6	Convention	5.1
		Conference	3.4
		Hotel Type by Chain Scale	**Percentage**
		Luxury	25.0
		Upper Upscale	28.0
		Upscale	21.9
		Upper Midscale	18.8
		Midscale	6.3
		Economy	0.0

the high was at $5.4 million. Clubs do experience a higher level of accounts receivable as members charge all their expenses and will be billed at the end of the account cycle, normally at the end of the month. Hotel guests, however, normally settle their bills before leaving the premises, unless it is a pre-arranged group business. Still, hotels charge deposits for functions, and they also charge cancellation fees. Thus, the policies between the two entities do differ.

In terms of accounts receivable practices, 100% of the hotel respondents stated they received payments via credit cards. And, five other practices shared second place reporting at 98.6%: (1) sent invoices as soon as the billing cycle closes, (2) sent invoices via email, (3) sent reminders after 30 days, (4) sent second reminders after 60 days, and (5) suspended any further charges when an account was deemed delinquent. The top five practices of clubs were sending invoices via email (54.9%), posting invoices on individual member's account online for immediate access (50.9%), sending invoices as soon as billing cycle ends (50.4%), sending invoices via regular mail (44.0%), and suspending privileges after 90 days (40.7%) (See Table 2).

Accounts Payable. When it came to payment, clubs rated "take all cash discounts offered by suppliers" as the top practice (53.8%), while hotels rated this option in second place at 95.7%. The top-rated accounts payable practice for hotels was "take 30 days terms when possible except for cash discount" (97.1%). All the accounts payable practices received scores above 95% in hotels except for "Less frequent payment of personnel (e.g., paying payroll every two weeks rather than every week)" which was rated at 80.0%. Clubs also gave this the lowest rating at only 6.6% (See Table 2). Thus, it was positive and encouraging that clubs and hotels both treated their employees well and that they did not try to adjust the frequency of their pay period so employees would have the means to take care of their financial obligations.

Usage and Usefulness: The Statement of Cash Flows and the Cash Budget

As with any accounting information, the information is only good if it is being used. Thus the usage and usefulness of both financial tools are of great interest.

The Statement of Cash Flows. Before the usage and usefulness, perhaps understanding who the users were would be insightful. For clubs, two user

Table 2. Accounts Receivable and Payable Practices

Accounts Receivable Practices	Clubs (%)	Hotels (%)
Receive payments via credit cards	24.2	100.0^{1}
Send invoices as soon as billing cycle closes	50.4^{3}	98.6^{2}
Send invoices via email	54.9^{1}	98.6^{2}
Send reminders after 30 days	30.8^{6}	98.6^{2}
Send second reminders after 60 days	28.6	98.6^{2}
Suspend any further charges for delinquent accounts	NA	98.6^{2}
Charge cancellation fees	NA	97.7
Send invoices via regular mail	44.0^{4}	95.7
Hold monthly credit meetings to discuss 60 days plus accounts	12.1	95.7
Require deposits	NA	95.3
Send second collection letters after 60 days	27.5	88.6
Receive payments via lock boxes	13.2	88.6
Send collection letters after 30 days	8.8	85.7
Post invoices on individual members account online for immediate access by members	50.9^{2}	NA
Suspend privileges after 90 days	40.7^{5}	NA
Direct bill with members' credit card on file	14.3	NA
Suspend privileges after 60 days	13.2	NA
Accounts Payable Practices	**Clubs (%)**	**Hotels (%)**
Take 30 days terms when possible except for cash discount	35.2	97.1
Use technology to monitor cash level	20.9	95.7
Take all cash discounts offered by suppliers	53.8	95.7
Time all payments properly and delay paying bills until deadline	35.2	95.7
Less frequent payment of personnel (e.g. paying payroll every two weeks rather than every week)	6.6	80.0

Note: Superscripts indicate the top rankings among clubs and hotels, respectively.

groups tied the top spot: the finance committee and the board, each at 60.4%. Other users in descending orders were management and treasurer (tied), financial lenders, and finally the general membership. When asked to rank the importance of the statement of cash flow to these users, the respondents perceived the statement to be most useful to management.

This is slightly different with the hotels. Hotel respondents rated the users in the following order: owners, management companies, management within the property, asset management companies, franchisors, and the corporate office. When it came to ranking the importance the statement is to the users, financial lenders were ranked the highest, followed by the corporate office and management companies.

As the statement of cash flows was not formally required prior to 1988, the survey also asked about the frequency of when this report was compiled, and if there were any changes in the last five years. The majority of clubs (74.7%) and hotels (75.0%) indicated that the statement of cash was prepared on a monthly basis. If not, they were often then prepared on an annual basis (See Table 3). In addition, in the last five years, clubs saw more detailed information and more frequently such information was being provided, especially for internal users. As for usefulness, only 49.4% of the clubs viewed the statement as very to extremely useful versus 53.8% of their hotel counterparts (See Table 4).

The Cash Budget. As mentioned, while the statement of cash flows was a required financial statement, the cash budget was not, and the cash budget was simply a management tool where its adoption solely relied on the decision of the owners and management. Since the cash budget was not a required statement, logically, this statement might be prepared less often and might not be as useful. Indeed, most clubs (54.1%) and hotels (38.5%) prepared the cash budget on an annual basis with monthly frequency ranked second (See Table 5). However, what is more interesting was the rating of the usefulness. Although less of the respondents from both clubs and hotels prepared the cash budget as often as the statement of cash flows, the total percent of clubs that rated the cash budget as very or extremely useful was 58.7% as opposed to the 49.4% for the statement of cash flows—a 9.3% difference! Hotels also rated the cash budget higher, with very or extremely useful at a total of 55.8%, but that difference was only 2% (See Table 4).

Table 3. Statement of Cash Flow: Preparation and Level of Detail and Frequency in the Last Five Years

Preparation	Club (%)	Hotels (%)
Monthly	74.7	75.0
Quarterly	5.1	3.8
Annually	19.0	13.5
Other	1.2	7.7

	More		Less		No Major Change	
Detail and Frequency	Club (%)	Hotels (%)	Club (%)	Hotels (%)	Club (%)	Hotels (%)
Internal						
Detailed of Information	31.9	18.0	4.2	10.0	41.8	72.0
Frequency of Provision of Information	16.5	14.0	2.2	8.0	54.9	78.0
External						
Detailed of Information	16.5	20.8	4.1	8.3	50.5	70.9
Frequency of Provision of Information	11.0	18.8	1.1	4.2	60.4	77.0

Table 4. Usage and Usefulness Comparison

Usefulness	Statement of Cash Flow		Cash Budget	
	Club (%)	Hotels (%)	Club (%)	Hotels (%)
Extremely Useful	22.8	25.0	30.7	25.0
Very Useful	26.6	28.8	28.0	30.8
Moderately Useful	29.2	23.1	21.3	23.1
Slightly Useful	12.7	7.7	10.7	7.7
Not Useful at All	8.9	15.4	9.3	13.5

Table 5. Cash Budget: Preparation

Preparation	Club (%)	Hotels (%)
Weekly	4.1	17.3
Monthly	24.3	17.3
Quarterly	6.8	9.6
Annually	54.1	38.5
Other	10.7	17.3

As there are two methods to prepare a cash budget, a closer look at these two methods reveals a difference of certain line items. One in particular is depreciation expense. Depreciation is the usage of long-term tangible assets on the balance sheet over time such as golf carts or a bus to transport guests to and from the hotel to the airport. This expense is in the adjusted net income approach, and yet it is different from other expenses such as food cost, labor costs, or even utility expense, as depreciation is a "noncash" expense where a business is not writing a check to pay anyone. In other words, the amount that is associated in this line item of depreciation is still being kept in the business. Therefore, the survey also asked the respondents the amount of depreciation as a percentage of total revenue in order to establish a benchmark. For clubs, in 2017, the average depreciation reported was about $1.5 million, which when divided over the average revenue of $10.4 million, was at 14.4% of revenue. For hotels, since the survey was sent in early 2019, the 2018 figures were collected rather than those of 2017. The result was an average depreciation of $3.4 million. When divided by the total average revenue of $48.4 million, the percentage was at 6.9%. In addition, the survey also asked if the respondents invested the cash equivalent to depreciation in a reserve account. While only 11.9% of the clubs did reinvest, hotels fared better at 32.6%.

Same or Different?

It is obvious that a club is not a hotel and vice versa. The audiences served is not the same, the way the properties are owned (most clubs are private, many hotels are public entities) is not the same, and the management of the two industries is not the same. Yet, where the differences occur might be where each industry may want to take a deeper dive to see if each can learn something from the other in order to better the properties, to enhance the service to the guests or members better, and eventually be more profitable!

Starting with the accounts receivable practices, hotels were more vigilant in using as many strategies as possible to collect what was due to them. Of all the practices, the one that received the lowest score was sending collections after 30 days, and still 85.7% of the respondents maintained that practice. Clubs, however, have a captive audience, and their members were also owners of the clubs (if the club is privately owned). Perhaps that explains why even the most common adopted practice only had 54.9% of the respondents reporting sending collection letters after 30 days to a member (owner); while widely used in hotels, this practice might not be appropriate for clubs. Moreover, 95.3% of the hotels in this study required a deposit and even a higher percentage, 97.7%, charged a cancellation fee. In this case, it appears that clubs might be able to take a closer look at practices where the scores between them and hotels had the biggest gap. For example, while receiving payments through credit cards is only at 24.2% in clubs, it is 100% in hotels; if clubs could have their members' credit cards on file and could automatically bill the member after sending them a bill via email, that would increase the rate of cash flow into the clubs. Indeed, some clubs had adopted such practice, and 14.3% of the clubs in this study were using this method already. And if the members' credit cards also allow for points accumulation, the club gets their cash faster, and the members need not waste an envelope and stamp, and their credit cards will also earn points for their monthly balances. This is a win-win for both the clubs and their members.

Regarding the statement of cash flows, one club respondent admitted that his/her club never prepared a statement of cash flows. On the hotel side, while there was also one respondent who stated the statement was never prepared, others mentioned preparing the statement on a monthly basis, another on a weekly basis or twice a month, and one respondent saying the statement was updated daily to ensure transparency of information between the management company and the owner.

Hotels also seemed to be fairly stable with their preparation of the statement of cash flows in that over 70% did not see any major changes in the last five years. On the contrary, although 41.8% of the clubs did not see any major changes, 31.9% of the clubs saw more detailed information required by internal users. Clubs viewed the statement of cash flows more moderately in its usefulness, and only 8.9% rated the statement as "not useful at all" while this percentage almost doubled in the hotels at 15.4%.

As for the cash budget, clubs prepared them more on an annual basis (54.1%); and although most of the hotel's respondents also indicated that they prepared the cash budget annually, this was only at 38.5%. One point that was positive was that for clubs, the one individual who had the primary responsibility for cash budget preparation was the controller/CFO/director of finance, but others who would be part of the process included the general manager, the treasurer of the club, department heads, and the finance committee. In hotels, the same also applied where the director of finance and accounting, the controller, and the CFO had the primary responsibility, but corporate and regional personnel, general manager, other accounting staff, department heads, and franchisors were also included. As the cash budget is a tool to help manage the operation in the "future," rather than the statement of cash flows, which reports what happened to cash coming in and going out of a place in the past, the more people to help plan the future, the more perspectives can be included.

Conclusion and Implications

There is no argument that cash is one of the most important assets of any operation. It does not matter if one owns or manages a club or a hotel, cash is still important. This study employed a survey to collect information on the collections and payment practices, and the statement of cash flows and cash budgets from both clubs and hotels in order to document the usage of these practices and tools. The results can now serve as benchmarks for clubs and hotels to compare their current practices.

Theoretical Implications

The purpose of this study was to collect data to serve as benchmarks. Therefore, no theory was tested, nor was there any correlation and causality being proven. However, from the literature review of how other industries have been monitoring cash, or how the one ratio of depreciation to revenue might be helpful to an operation, perhaps future research can be performed to test such theories and hypotheses.

Managerial Implications

As this research is to set benchmarks, a number of managerial implications can be drawn from the results. The process of benchmarking is to evaluate something by comparing to a standard. Benchmarking can be internal, in which it resembles setting a budget to see if the actual figures are better or worse than the set budget. Benchmarking can also be external or competitive such as hotels using the STR STAR report with a competitive set. From the results, depending if an operation is a club or a hotel, certain yardsticks are provided. Following the process of benchmarking, managers and owners may want to adopt this four-step approach:

1. What are we doing now?
2. What are our goals?
3. When should we measure our goals to see if we have achieved them?
4. What actions do we need to take?

Step 1: Time Zero—The Starting Point

To begin a benchmarking process, it will be good to gather all parties involved in the preparation of the statement of cash flows, cash budget, accounts receivable, and accounts payable in a group exercise. First, explain to the entire group why this exercise is needed, explain to them the cash conversion cycle, and why cash is important for the operation. Then, separate the big group into at least two groups: the ones that prepare the statements and the ones who are responsible for the day-to-day collections and payments of cash. Then, for the statement group, have them answer similar questions reported in this study such as:

1. Do we prepare those statements?
2. How often do we prepare them?
3. Who is involved in preparing them?
4. Do we follow the USALI or the USFRC when the statement of cash flows is prepared?
5. Do we use the direct or indirect approach in preparing the statement of cash flow?

6. Do we use the cash receipts/disbursements or adjusted net income approach in preparing the cash budget?
7. What is our depreciation/revenue ratio in the last year?

For the accounts payable and receivable group, also have them answer similar questions reported in this research such as:

1. What are our accounts receivable practices?
2. What is our days inventory turnover (inventory holding period)?
3. What is our days accounts receivable turnover (accounts receivable collection period)?
4. What is our days payable outstanding (or pay deferral period)?
5. What is our cash conversion cycle (add days inventory turnover and accounts receivable turnover, then subtract days payable outstanding)?
6. What are our accounts payable procedures?

Obviously, the above is simply a starting point, but owners and management should encourage the groups to come up with other questions and all the answers. If the operation has a small accounting department, there may only be one group to come up with all the questions and answers as the baseline. By doing so, an operation can also have an idea of how each leader/employee of the organization knows about the importance of these topics. This also provides a forum for individuals who otherwise are in their respective offices or work area daily and do not have a chance to interact. In other words, an exercise like this can build teamwork!

Step 2: The Goals

Once the operation knows where the starting point is, the next question is where does the operation want to be? All goals that are set need to be measurable, specific, and achievable. It is not particularly useful if an operation's goal is to not be short in the cash budget. Of course, everyone wants that! But what is the amount that an operation would like to have as a goal? For the cash budget, what is a good target cash balance? Or if an operation wants to take the Oler and Picconi approach, what would be a good range for the target cash balance? For the cash flow statement, should the operating cash flow activities always be positive and by how much? Should the investing activities be negative (which means the operation is spending cash in long-term assets)? When and by how much? Should the club be taking payments on accounts receivable via credit cards? What percentage of accounts receivable should be taken via credit card? Should the club have members' credit card information on file for direct billing? What is a good depreciation/revenue ratio? All these are goals an operation should consider. The goals then form a checklist and a dashboard that an operation can now measure its own progress.

Step 3: The Timing

Timing is always an issue. Four individuals want to be a millionaire. One by age 20, another at age 40, a third at age 60, and finally the last one said at his retirement age at 70. These are all measurable goals, specific also, but whether they are achievable is up for discussion. Obviously, some are more realistic and achievable than others. When an operation sets goals, it is also good to set some time guidance. For example, if a hotel has never prepared a cash budget and the results of this study said 17.3% of the respondents prepared a cash budget weekly, then for this particular hotel, perhaps starting with a goal of preparing an annual rather than weekly cash budget would be more realistic, especially if the hotel can prepare a six-month cash budget as a start. Once the hotel has this cash budget road, then it can also compare its goal to its actual performance on a monthly basis. Another example is the cash conversion cycle. As certain inventory may take longer to cycle in and out, set realistic goals and time frame to measure. If the current cash conversion cycle is 90 days, to have a goal of 60 days and measuring it every month would not be advisable. This is the express reason why the goals and timing should be set by the groups, as they are the ones who are preparing all these statements and will know the feasibility of getting meaningful work accomplished.

Step 4: The Actions

This is probably the most important step. Comparisons and analyses are wonderful, however, if no action is taken, then all the time spent in the first three stages would be a waste. Now, one may think—if I set a target cash for my cash budget and I am able to meet it, I am good! Why take any action then? Well, think about this—if you have extra cash on hand, what would you do with it? Keeping that in the bank, earning very minimal interest, may not be the best. And if the cash budget is showing months of exceeding the target cash balance, an operation may want to start thinking what the cash can be used for. At the very least, the cash can be invested in some short-term investments to generate more unearned income. Or perhaps the operation is saving the cash for some improvements needed in subsequent months.

Take another example of using an aging table to monitor accounts receivables. If the analysis shows that more and more accounts are taking longer to be collected, then the operation may want to ask why. Was it that the operation is being too lax in checking the credit of the client and letting too many people charge? Would collecting a higher deposit amount before the event help the situation? What other actions can be taken? All these are decisions that a team of financial professionals, together with the department heads, can suggest and make so that appropriate actions can be taken.

This is not an easy process, but it is a rewarding one!

Limitations and Future Research

Collection of primary data has always been a challenge in any research, and it was no different in this one. Even with a good database of over 1,000 HFTP club and hotel members, only 160 usable responses were captured. Although a 11.5% response rate would be acceptable in most external research, Chi-Square or other inferential statistics will not be meaningful if there are not enough responses in certain cells. This also renders the results less generalizable. In addition, most of the membership is from the United States and Canada. To address these limitations, perhaps for the future, additional samples from other organizations such as Club Management Association of America can be included. HFTP has also inaugurated its Cancun and Los Cabos chapters, and they both are very active chapters. Thus, adding these samples can also expand the results to the entire North America and three other countries.

Future studies can also be conducted to expand the literature. First, as discussed previously, perhaps some hypotheses testing can be incorporated. Second, longitudinal data can also provide the information for a trend analysis. Third, perhaps a study on the cash conversion cycle and focus on the timing of each step of the cycle can be useful information if an operation is in need of speeding up its cash collections.

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