

Service sector in terms of changing environment

Uniform System of Accounts in the Lodging Industry (USALI) in creating a Responsibility Accounting in the hotel enterprises in Republic of Macedonia

Desa Kosarkoska¹, Irina Mircheska² *

¹ PhD, Faculty for Tourism and hospitality, Ohrid 6330, R.Macedonia

² MSc, Faculty for Tourism and hospitality, Ohrid 6330, R.Macedonia

Abstract

A theoretical overview, as well an empirical analysis of the rule of USALI system in the Cost Management (CM) in the hotel industry in Republic of Macedonia, will be made. These have to give a realistic perspective of the current state of the Cost Accounting in the Macedonian Hotel Industry.

In the hotel industry in R.Macedonia the old management principles are still used. This work is an attempt to contrast them with the modern equivalent approaches in Cost Management in the modern hotel industry in the world. Since the main goal of a Cost Management is finding an optimal solution between the utilized resources and achieved result, this work will take a great care into a consideration the Responsibility Accounting as a part of Cost Accounting.

The Responsibility Accounting provides better division, allocation and control of the costs.

Keywords: Accounting, Cost management, Responsibility accounting, Costs, Uniform System of Account for the Lodging Industry.

* Corresponding author. Tel.: +389 71 285 945; fax: +389 46 262 417.

E-mail address: irinamirceska@yahoo.com

1. Introduction

With increased competition, diversity of needs and desires of consumers and specific conditions of operation, daily management of costs is of increased importance. Theory and practice brought many developed concepts for measuring and costs managing, but still, in the hotel industry there are many applied traditional systems of Cost Managing (CM), which is the case in our country where there are problems in adjusting to modern systems of management. Other contemporary methods of processing and CM, in order to find suitable applications in our country, are considered in this paper. This paper also covers the CM in the hospitality industry and practically shows the extent to which the management has been developed in our country. Current world trends warn all hotel companies and show that any delay in their application has its consequences, which manifest the unreal representation of the financial result.

This paper particularly emphasizes the importance of the Uniform System of Accounting in the Hospitality industry through showing the USALI standards. The notification of USALI standards goes through "operating segments", which often have the character of profit or costs centers as centers of responsibility. Through this approach of built in standards of reporting for results in the internal activities of a given hotel, this is a specific approach to promote the overall process of harmonization of accounting in practice.

The subject of research in this case will be the impact of the USALI standards in ways of making standardized reports which can be externally comparable, and on the other side showing the meaning of the contemporary concepts of the cost managing in the hotel industry with the purpose of obtaining image for the financial condition in the hotel enterprises. Throughout this paper, there are many included theoretical acknowledgments and best practices from experiences from hotels in Republic of Macedonia.

In writing of this paper, we implemented a few methods and techniques in collection, processing and interpretation of observations and data including the method of quality analysis, the description method, and the comparable and statistical methods.

2. Uniform System of Account for the Lodging Industry

In the international hotel industry the concept of the responsible accounting implementation is the norm, which started from the assumption that only those costs which the managers can be controlled can be calculated in the Unit with which he manages. In fact: "responsibility accounting towards on that organizational segment, over which manager can control, can be responsible for, or in the other which he has important influence"¹. The purpose of responsibility accounting is recognition and representation of all costs, which usually can be calculated in real terms, or consists of given parts. The manner of settlement of these procedures depends of the chosen system and methods of calculating the costs. Responsibility accounting is based on the introduction of a single system of marking represented by the USALI system.

The Uniform System for Accounts in the Lodging Industry - USALI² is set up whit aim to provide accounting information for internal results of the hotels, is based on a single system of identification,

¹ Ferrara, W.L., Dougherty, F.P., Boer, G.B.: *Managerial Cost Accounting: Planning and Control*, (1991), revised edition, Dame Publications, Inc. Houston

² *Uniform System of Accounts for the Lodging Industry*, (2006), (10th Ed.), AH&LA and HFTP

recording, classifying, organizing and publishing on the value expresses in a way that externally and can be compared. This system is the first successfully organized approach for the introduction of a unique responsibility accounting in the hotel industry as well as in other branches (USALI-first successfully organized form of responsibility accounting). Through this approach of built in standards of reporting results in the internal activities of the hotel, this is a specific approach to promote the overall process of harmonization of accounting in practice.

The USALI reporting usually takes place through "operating segments" that have the character of profit or costs centers of responsibility. This implies the need of implementation of system which is needed any hotel enterprises to adopt a unique way of classification, organization and presentation of data elements of the internal score, which is a standardizing USALI system. This system allows using the appropriate IT support to enable each business action to cover the events of the time and place where the specific business change occurred, to continue to be available to authorized persons in only database of integrated information system. The USALI system contains 32 standard reports which are made in a base of selected IT procedure. Which reports will be implemented in the hotel enterprises depend of activities and the management of that enterprise. In addition these reports are to be completed in Summary Statement of Income. Furthermore, the compilation of these reports is time sensitive and needs to provide the shortest line to ensure the flow of data from inputs to outputs. Thus, each data should first be covered for a place and time where it arises and then applying the appropriate procedure to cover in the internal calculation according to relevant grounds.

Thus, the results of internal computation become a integral part of the overall management information system. For the realization of this, the introduction of this system to be integral and comprehensive should mean:

- To set up basics and developed system of accounts
- To define the registers and other databases
- To delineate the costs of fixed and variable component
- To define the system of internal reporting

The reports that are standardized in the USALI system are primarily intended for internal users, but only for internationally accepted methodological basis, or to simultaneously realize the exercise for external comparing of data whit the internal results. The accounting of a hotel business system to meet team requirements, is a much needed internal accounting (cost accounting information as the basis of managerial accounting) to fully adapt by standards of USALI³

The system of notification through USALI standards is based on the methodological basis of calculation of partial charge, and starts from the assumption that individual reporting segments are needed to calculate only those expenses that are directly related to the process of production and providing services, and that manager the hierarchical level can be affected. So, the calculation of partial costs are based on the assumption that in accordance on the chosen method or form of cost accounting for a certain hierarchical level, one can compute only those costs that would be caused by that level.

³ Pershic Milena, Sandra Jankovic, Menadzersko Racunovodstvo Hotela – Opatija, (2006) ; Zagreb i Hrvatska zajednica racunovodza i finacijskih djelatnika.

3. Responsibility accounting

The last years of the last century have led to increases in technique and technology, strengthening of competition, increased customer demands and changes in the strategic environment that caused an increase in overhead costs of any given enterprise. Overhead costs cover up to 70% of total costs, reducing the cost of direct labor, and shortened lifespan of the product. So the costs of so-called “no development” in the contemporary operating often become much larger than the costs of preparing themselves. Such a given system that enables management of costs is Activity Based Costing - ABC.

The basis of cost counting are based on the principle according to which the cost does not cause the products and services, but processes that are performed within the manufacturing, marketing, sales, logistics and other support functions. Further these costs are allocated to cost objects (products, services, customers, market segments etc..) and by selecting a particular base, will determine how much each of them had the support of the defined activity. Each cost has its own reason, and it establishes a strong link between causes and costs origins. Activity-Based Costing (ABC) is defined as a methodology that measures the costs and contributions of the activities, resources, and these cost structures, there by deploying the resources of activities, and the activities to the cost objects based on their use⁴. The calculation of cost, volume oriented brings that the products that are produced in smaller quantities to receive smaller "portion" of overhead costs, unlike products that are produced in large quantities that receive excessive "portion" of the overhead costs [5]. Therefore it is pointed the need of implementation of this system of process cost counting in the hotel enterprises, that is given a more realistic picture for cost volume, and on the other side more realistic picture for representing financial statement and more realistic picture for the hotel enterprise.

4. Empirical research of USALI system implementation in cost managing in the hotel enterprises in Republic of Macedonia

The example that was performed on the study includes leading hotel enterprises in R. Macedonia. The criteria used for selecting the hotels are the category of hotels and hotel location. The survey was conducted between November and December 2010. The growth rate is 72%.

There is little innovation in CM in the hotel industry and accounting practice and has many points in that part of that need an attention.

The area of our interest and the problem of our research is to present the current state of cost accounting in the Macedonian hotel industry and to show what patterns of CM are applied.

The survey that was carried out included the hotels of the capital, Skopje, both most important receptive regions of Ohrid and Struga. The hotels that have been research are with four and five stars.

4.1. Analysis and interpretation of data obtained on CM in the hotel enterprises in R.Macedonia

The survey that was conducted on the hotel enterprises in R.Macedonia, includes three sets of questions systematized according to their content. The first group of questions included those who answer the general situation of an enterprise, and thereby to them are building data from the other two groups. The second group is the department of accounting, USALI system knowledge (Uniform System of

⁴ Raffisch, N. Turney, P., glossary of Activity Based Management, JSM, Fall

Accounting in the Lodging Industry), to start in the third group present method of cost calculation and their full participation in costs.

Part 1

Geographical area and category of hotel enterprises that are subject of this study are shown in Table 1 and Table 2. In a survey are taken the hotels of the capital Skopje and the two most important receptive cities, Ohrid and Struga. In addition as previously mentioned and the reaction rate is 72%. Skopje and Ohrid percentage participate equally with five hotels, while in Struga survey was conducted on three hotels. The majority or 61.5% of hotels are 4 *, while the rest belongs to the hotel with a 5 *. All hotels with 5 * are from Skopje, while only a fraction of the hotels in Skopje or 7.7% belong to the group with 4 *. Most of the hotels with 4 * are from Ohrid, covering nearly 31%.

Table 1. Geographical area of the hotels that are implemented in the research

	Hotels	%
Geographical area	13	100%
Skopje	5	38.5%
Ohrid	5	38.5%
Struga	3	23%

Table 2. Categorization of the hotels that are implemented in the research

	<i>Hotels</i>	<i>%</i>	<i>Skopje</i>	<i>Ohrid</i>	<i>Struga</i>
Category	13	100%	5	5	3
5 *	5	38.5%	100%	/	/
4 *	8	61.5%	7.7%	30.8 %	23%

In a view of the administrative status of the company can say that most of the hotels are registered as private companies, while a smaller portion belonging to national or international chain.

Table 3. Administrative status of the company

	<i>Hotels</i>	<i>%</i>
Private company	11	85%
Part of national chain	1	7.7%
Part of in national chain	1	7.7%

The number of beds in the hotel enterprises is not significantly large, because most hotel enterprises or 84.5% have a number of beds up to 300%, 7.7% have 300-400 beds, while only a 4 * hotel with are having a bed of 400-500 , (Fig.1).

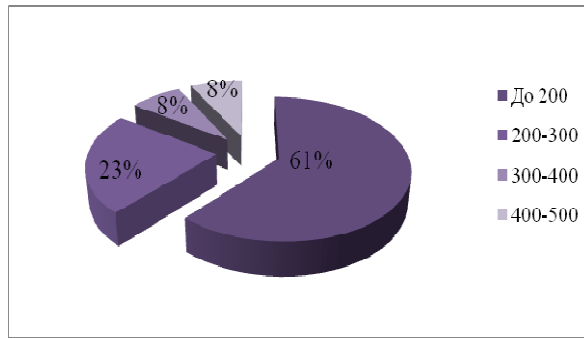


Fig. 1 Number of beds in the hotel enterprises

Part 2

The second part of the research relates specifically to the department of financial reporting models that accepts, with USALI acknowledgment and similarly. All hotel enterprises that were the subject of this research section had a sector for financial reporting, which developed its own model of financial reporting that is often connected between the accommodation department and the management of the hotel. Through Table 4 can be seen that only 61.5% developed their own model for financial reporting while, and almost 31% used a similar model from another hotel.

Table 4. A model of financial reporting in hotel

	Hotels	%
Develop its own model	8	61.5%
We use a similar model from another hotel	4	30.8%
Model of International standards	1	7.7%

Regardless of how the reporting model is used in all hotels that were the subject of the research used a common system of accounting between the accounting department and management of the hotel, which means there is no responsibility accounting. Financial indicators arising from that accounting will eventually be partially comparable to the financial indicators of other hotel enterprises. It can be seen in Table 4.

Table 5. Comparability of financial indicators whit competition financial indicators

	Hotels	%
Yes	6	46%
No	1	8%
Partially	6	46%
Total	13	100%

Next Fig. 2 shows the percentage relationship between the models that are used in the hotel enterprises for financial reporting and the possibility of comparing financial indicators with other competitive hotel enterprises.

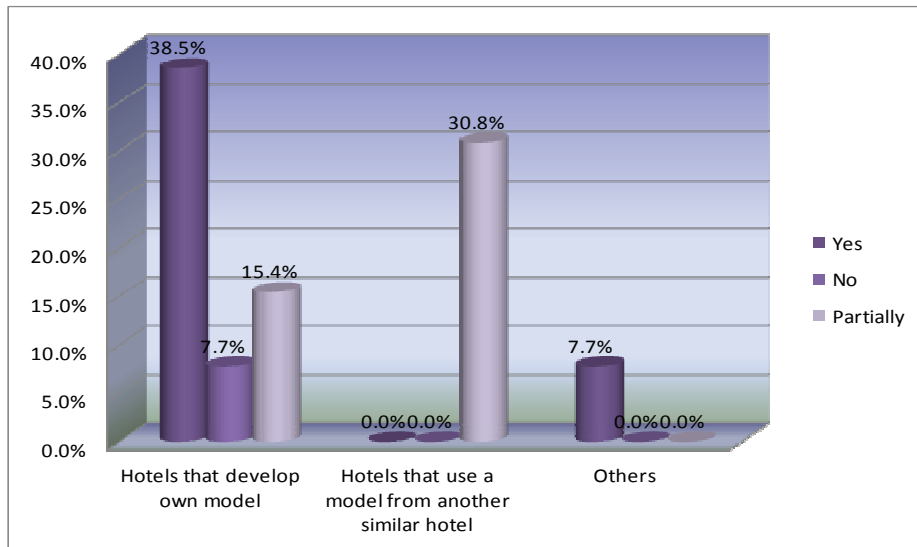


Fig. 2 Relationship between patterns of financial reporting and the possibility of comparability of financial indicators

The USALI system (USALI-Uniform System of Account in the Hotel Industry) is widely accepted in the world and leads to numerous advantages to hotels that use it. But, despite its acceptance worldwide, it is not the case here. Only 69% of respondents were not familiar with this system, even with half of them there is a drawback in terms of acceptance, which can be seen from the pictures below.

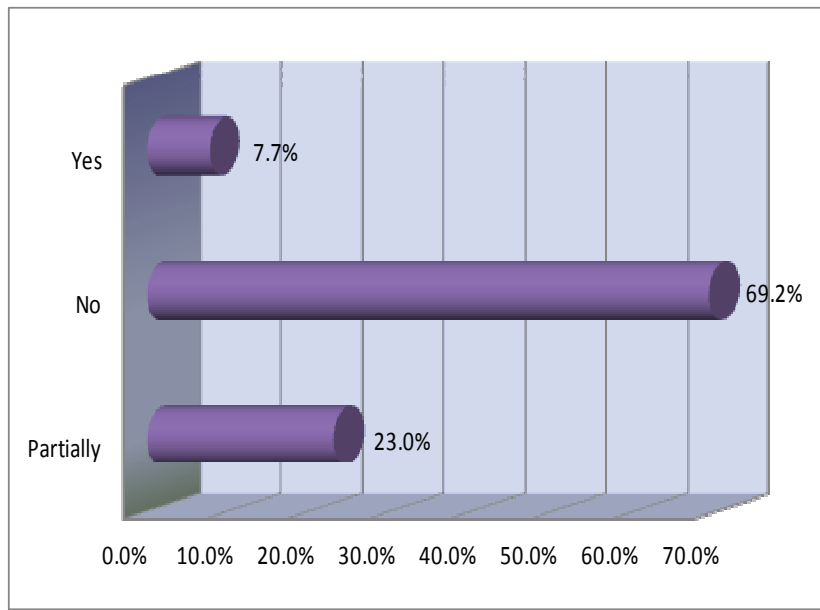


Fig.3 Knowing of financial managers with the USALI system

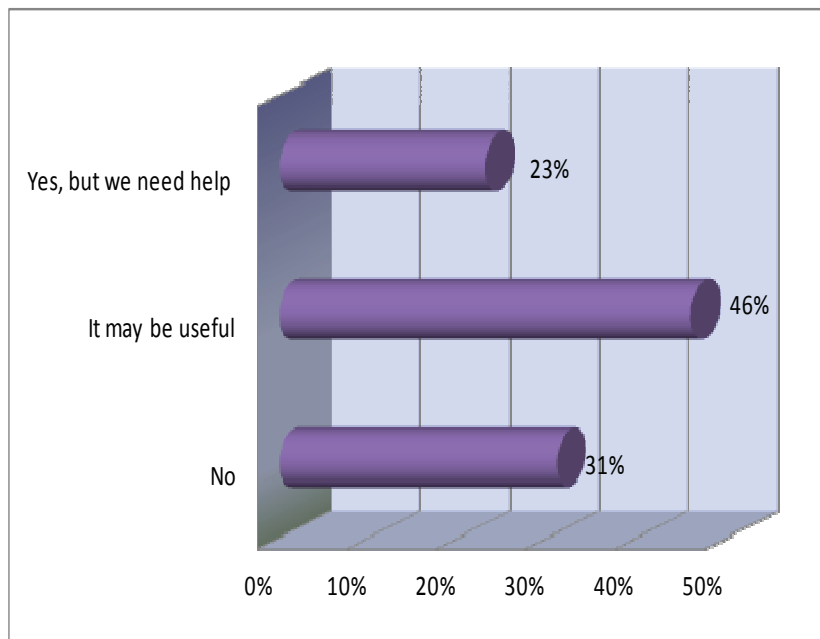


Fig. 4 Being willing to learn USALI

Part 3

The third part of the survey is based on the screening costs in the hotel enterprise, as fixed and overhead costs are involved in the full costs and finally the system is presented for calculating the costs. In the world borders the ABC systems called as the cost or allocate costs by activity is quite accepted, but here in R. Macedonia only one hotel company has seen the beginnings of the introduction of this system, while still others are based on the calculation of costs based on the traditional system of cost.

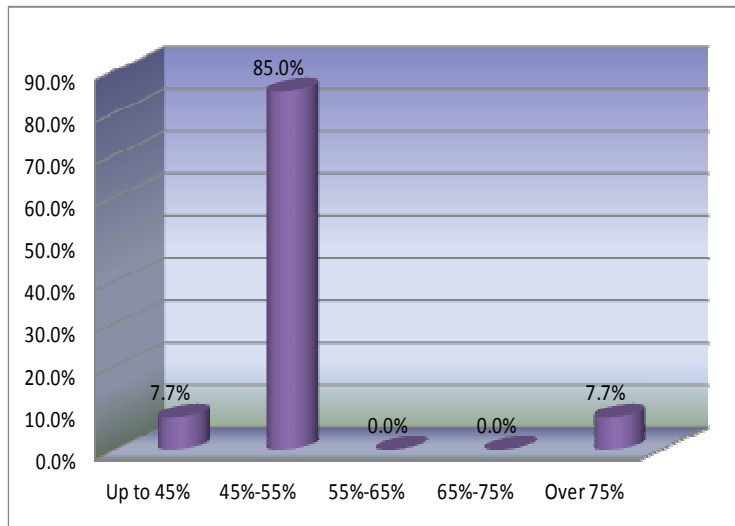


Fig. 5 Participation of the fixed costs as a proportion of full costs

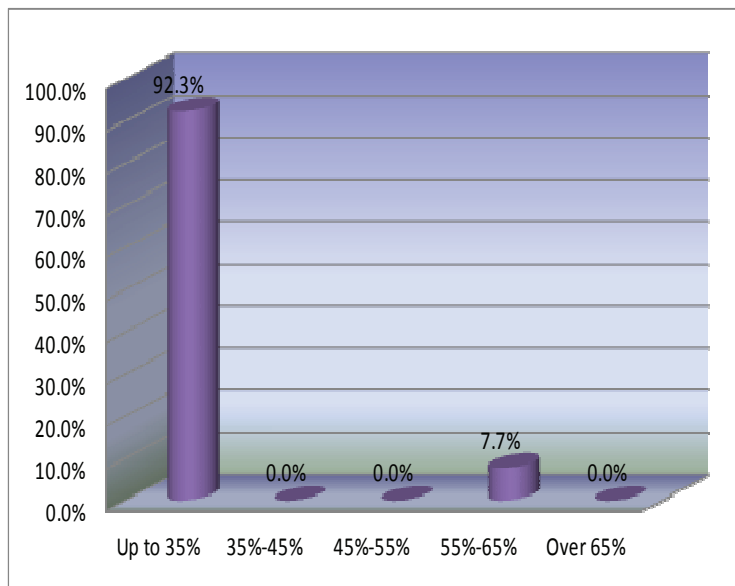


Fig. 6 Participation of the overhead costs as a proportion of full costs

5. Conclusion

The modern concepts of CM in the hospitality industry in the world have very great significance in the hotel industry, because by allowing them not only better manage costs, but the whole hotel enterprises, therefore providing a more realistic picture of a overall economy.

But unlike the world where this is an important topic for study and there is a wide range of application of modern concepts, in R. Macedonia this issue is not explored at all. As a result of theoretical development and quantitative analysis that are presented in this paper, some conclusions can be derived.

The previous interpretations of obtained results represent the results of research in the leading hotel enterprises in R. Macedonia.

In this research all hotel enterprises that were the subject of the research had the internal financial reporting department. The majority of them develop their own model of reporting, but only a part used a similar model from another hotel and a model based on international standards, but none of them is based on the model of modern financial reporting USALI. This indicates a major problem our hotels are facing. The USALI system is established to provide accounting information for internal results of the hotels, that can externally be compared. Here although it points out that financial indicators are fully or partially comparable, one has to ask the question, what will be the financial indicators for comparison. In Europe and in the World is producing financial indicators that are based on USALI system, which establishes a modern approach and a concept of displaying financial data with an appropriate conceptual framework, unlike the hotels in the Republic. Macedonia's present financial information on individual own way about certain concepts. Hence we come to the conclusion that a unique opportunity to compare financial information is among the hotels of our country. It is astonishing figure of nearly 70% of respondents were not familiar with the USALI system, which is widely used worldwide, but despite this, there is a willingness and interest by the people who are employed In the financial department to learn this system and in the future to implement the operations of hotel enterprises. This is a good sign that in the future should more be done to introduce this system in order to allow moving a step ahead of Macedonian hoteliers.

The development of technique and technology, strengthening of competition, increased customer demands and changes in the strategic environment caused an increase in overhead costs in the enterprise. It indicates that in the modern business costs of "not making" often become much larger than the costs of preparing themselves. Costs can be managed if they are measured, i.e if the correct information in the required form are submit timely to the responsible person. According to the data that we received can still say that Macedonia is represented traditional form of cost accounting in the hotel industry, which in turn leads to a distorted picture of the size of fixed and overhead costs in the total amount costs. Namely, if applied modern approach to the calculation of costs per activity, would enable the quality of the overhead costs of certain products and services or to the development of procedural calculations, which allow accurate allocation and better management of overhead costs. With allocating the costs, any cost accordingly will find its place, thus enabling timely inclusion of costs in the price of products and services. This leads to giving more realistic financial results. The calculation of costs per course processes must be integrated into existing system.

Hence we come to the conclusion that it is necessary to urgently enforce the USALI system that will allow recognition, classification and recording of accounting information can be harmonized and externally to compare. The same approaches in the Macedonian hotels have when it comes to allocation of costs. In R. Macedonia still applies the traditional system of costing, as opposed to current approaches to allocation of costs by activity, where each cost will find its place, thus enabling timely inclusion of costs in cost of products and services, which leads to more realistic results for financial statement in given hotel enterprises

Here introduce the paper, and put a nomenclature if necessary, in a box with the same font size as the rest of the paper. The paragraphs continue from here and are only separated by headings, subheadings, images and formulae. The section headings are arranged by numbers, bold and 10 pt. Here follows further instructions for authors.

References

- Adams, D., (1995), *Management Accounting for the Hospitality Industry – A Strategic Approach*, Cassell, London and Washington. Accounting Standards Board www.asb.org.uk
- Burch, J.G., (1994), *Cost and Management Accounting a modern Approach*, West Publishing Company, St.Paul, New York, Los Angeles, San Francisco.
- Colin, D. (1996), *Management and Cost Accounting*, (2th Ed.) -Chapman-Hall-, London.
- Cote, R., (2001), *Accounting for Hospitality Managers*, (4th Ed.), Educational Institute of the American Hotel and Motel Association, East Lansing, Michigan.
- Deloitte development LL.C, (2008) “*IFRS in Tourism, hospitality and Leisure: More than Accounting*”, www.iasplus.com
- Ferrara, W.L., Dougherty, F.P., Boer, G.B. (1991): *Managerial Cost Accounting: Planning and Control*, revised edition, Dame Publications, Inc. Houston..
- Financial Reporting Council* www.frc.org.uk
- International Financial Reporting Standards (IFRSsm) including International Accounting Standards (IASsm) and Interpretations as at 31 March 2004.*, International Accounting Standards Board, London, www.iasb.org.uk
- International Accounting Standards 2001, (2001)- International Accounting Standards Committee* -, London, www.iasc.org.uk .
- International Federation of Accountants* www.ifac.org
- I Raffisch, N. Turney, P., *Glossary of Activity Based Management*, JSM, Fall
- Kosarkoska, D., (2008), *Smetkovodstvo*, (3th Ed.), Fakulty for Tourism and Hospitality, Ohrid
- Kosarkoska Desa, (2010), *New challenges for information system in hotel industry*, 66, (20th ed.), Biennial International Congress Tourism & Hospitality industry 2010, New Trends in tourism and Hospitality Managment, Opatija, Croatia.
- Markoski S., (1991), *Troskovi u poslovnom odlucivanju*, Beograd.
- Nedev Blazo, Markoski Slobodan, (1995), *Smetkovodstvo na delovniot menaxment*, Ekonomski fakultet Skopje. Rusevski Trajko.: Finansisko smetkovodstvo i izvestuvawe, (2004), Ekonomski Fakultet Skopje.
- Pershic Milena, Sandra Jankovic, (2006) *Menadzersko Racunovodstvo Hotela – Opatija.*, Zagreb i Hrvatska zajednica racunovodza i finacijskih djelatnika.
- Uniform System of Accounts for the Lodging Industry, (2006)*, (10th Ed.), AH&LA and HFTP