

Management Accounting Practices Adopted by Small Hoteliers in Sri Lanka

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ABSTRACT

The third-largest source of foreign exchange earnings in Sri Lanka is the tourism sector. [1] The tourist business in Sri Lanka is dominated by the small to medium sized hotel sector, which accounts for 75% of SM Enterprises. [2] In order to gain insights into the various management accounting practices used by small hoteliers, the researcher chose a sample of 10 small hotels with fewer than 100 employees from across Sri Lanka. A secondary goal of this research is to gauge the level of awareness of these practices among small hoteliers.

In this study, 4 key criteria are used to measure awareness of management methods. Those are management accounting practices used to Create a Business Strategy, Planning and Control Techniques, and Decision Making strategies, Efficient Resource Usage, methods for performance evaluation.

Keywords

Management Accounting Practices, SME, Tourism industry

1. INTRODUCTION

Sri Lanka is well known for its hospitality worldwide. In the early 1960's, that tourism was formally recognized as an industry. Thereafter, Sri Lankan government try to develop tourism sector, by branding it with various names such as 'Engine of Growth', 'Sri Lanka's Thrust Industry', 'Miracle of Asia'. However, there wasn't proper strategic development or follow up, and these superlatives mostly ended as 'lip service'. The real development in the tourism industry has been guided by the private sector.

Hotel sector is one of the fastest growing sectors of the Sri Lankan economy. Direct contribution of travel and tourism to employment (% of GDP) of Sri Lanka rose by 3.76 % from 5.7 % in 2018 to 5.9 % in 2019. [3] So it is a top-job creating sector because it uses massive labor force and the significant effect on employment in other related sectors. Hotel sector attracts foreign capitals and more investors to Sri Lanka, attract more visitors, directly impact to local currency value and enhance the knowledge about Sri Lankan traditional culture worldwide.

The hotel industry expanded rapidly after the establishment of Ceylon Tourist Board by the Sri Lankan Government in 1966. The tourist arrivals between 1976 and 1982 have increased 24% per annum and unfortunately it has decreased by 43% from 1982-1983 due to the civil conflict. [4]

It is important to remember that during the most difficult

period of the war, Sri Lanka tourism still managed to keep afloat, arrivals never dropped below 450,000 in any year during that period. After 2008, country have seen strong growth in arrivals, which today stands at close upon 1.6M as at October 2015. [4]

Hotels in Sri Lanka can Categorize according to below.

Table 1-Hotel types

by type	chain hotels
	independent hotels
By Segment	Service apartments
	Budget and Economy hotels
	Mid and Upper mid-Scale hotels
	Luxury Hotels

Most of the Small and medium hotels in Sri Lanka belongs to independent hotels/Service apartments/Budget and economy hotels or mid and upper mid-scale hotels. They have common characteristics.

- Resort location-small and intimate
- Size – rooms between 1-15
- Experience-trying to give some isolating experience
- Service -Personalized service
- Target market - early 20s to mid-50s, with mid - to upper income averages.
- Staff size -between 11-100 employees

In this research researcher try to do exploratory study on management accounting practices adopted by small hoteliers. Chosen sample is 10 hotels between 11-100 employees and explore about their management accounting practices. The awareness will be evaluated via series of management accounting practices such as Balance Scorecard Analysis, Budgeting and Budgetary Control, Ratio Analysis, Process Costing, Cash Flow Forecasting and Planning.

- Research question

What are the management accounting practices adopted by small hoteliers in Sri Lanka?

- Primary research objective

To develop insights on various management accounting practices used by small hoteliers.

- Sub objectives

To identify the awareness on different management accounting practices among the small hoteliers.

To study on the various management accounting practices used by small hoteliers.

2. METHODOLOGY

2.1 Sampling design

To collect sample snow ball sampling method is used. Snowball sampling is where research participants recruit other participants for a test or study. Snowball sampling is a non-probability sampling method. This method is selected because of the difficulty in contacting and exactly identifying the small hoteliers in Sri Lanka. There is lack of information on small hotels and there was no formal database to get the contacts of small hoteliers. By using this technique, the data can be collected on the target population which were selected by the researches with their own experience, then asked those individuals to provide information needed to locate other members of that population whom they know. Target group consisted of 10 Small hotels with employees around 11-100.

2.2 Method of data collection

Researcher used research onion method to build up the research. The research onion was developed by Saunders in 2007 [5]. It describes the stages that must be covered when developing a research strategy. When viewed from the outside, each layer of the onion describes a more detailed stage of the research process.

The research onion provides an effective progression through which a research methodology can be designed. Its usefulness lies in its adaptability for almost any type of research methodology and can be used in a variety of contexts.

1. Research philosophy
2. Research approach
3. Research design(choices)
4. Research strategies
5. Time horizons
6. Techniques and procedures

Two major research philosophies have been identified in the Western tradition of science, namely positivist (sometimes called scientific) and interpretivist (also known as anti-Positivist).

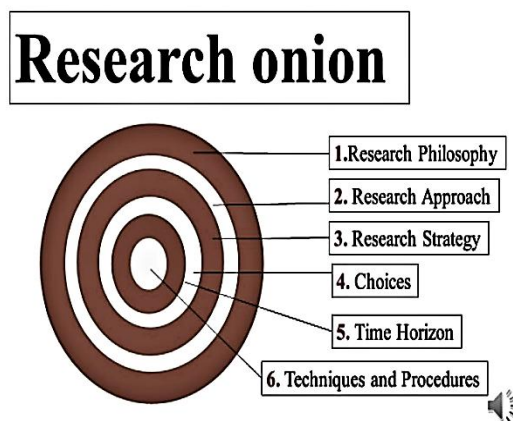


Figure 1-Research onion

This research is based on the interpretivism research philosophy. The Interpretivism is form of qualitative methodology. Interpretivism relies upon both the trained researcher and the human subject as the instruments to measure some phenomena, and typically involves both observation and interviews. For example, a sociologist may create a survey or interview questions (which involves the trained researcher), then collects responses (which involves the human subject), then again analyze those responses.

Through this the researchers recognized the basic practices the small hoteliers followed as the accounting practices and get the detailed description. Many SME's using management accounting practices even though they do not know the exact way of using them.

2.3 Research Approaches

The researchers followed an inductive approach to meet the objectives of the research. Inductive reasoning, moving from specific observations to broader generalization and theories. Informally, researchers refer this as "bottom up" approach. In inductive reasoning, begin with specific observation and measures, begin to detect patterns and regularities, formulate some hypotheses that can explore, and family end up developing some general conclusion or theories. [6]

Majority of the small hotel owners do not have idea about theoretical management practices. They never heard about that. But when discussing and getting depth understanding about business operations researchers understood they are using management accounting practices and some of them event don't know that they are using. In here researchers identify the theory by observation. So they used inductive approach.

2.4 Research design

In this research, researchers try to find out different management accounting practices adopted by small hoteliers through a sample of 10 hotels. Those hotels are located in Bandarawela, Yakkala, Kadawatha, Monaragala and NuwaraEliya. All these hotels have employees between 11-100. Managers of these 10 hotels are interview according to a pre prepared interview guide. This research used semi structured interview guide to collect information. In here, researcher prepares an interview guide, but also allows the conversation to flow naturally. Questions do not necessarily have to be asked in order. There is an opportunity for the researcher to go "off-script" and ask additional questions of the participant to gain greater detail in their responses. Data will be analyzed according to conceptual working model.

2.5 Techniques and procedures

Both secondary and primary data were used in this research. Primary data is data collected firsthand for specific purposes of the research under consideration.

primary data were collected through the structured interview using an interview guide, which included background of business, finance information and about management accounting practices. Interviews were conducted in 10 hotels those have less than 100 employees in different area. researcher recorded all information of interviews, transcript them and analyzed them. Through that researchers identified different management accounting practices used by small hoteliers to achieve objectives of research.

Secondary data is data that has already been collected by individuals or other parties for their own interests or purpose

other than the specific purposes of current research. Researchers used information of past research papers as a basis to develop research and prepare interview guide.

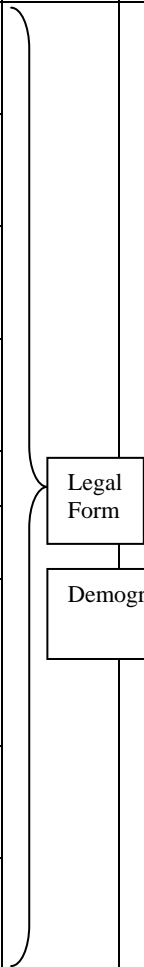
2.6 Method of data analysis

[7] coding process in inductive analysis explains data reduction in such a way that the first step of the process is initial close reading of the text, identifying specific text segments related to objectives, labeling the segments of the text to create categories, reducing overlap among the categories and creating a model incorporating the most important categories.

This was used by the researchers. In this research, the researchers read each transcription several times and labeled and coded every sentence, phrase or paragraph based on their interpretation of the raw data. The Codes links between locations in the data and sets of concepts or ideas, and they are in that sense heuristic devices, which enable the researcher to go beyond the data.

Miles and Huberman argue that pattern coding is a way of grouping codes into a smaller number of sets, themes or constructs. Pattern coding from the researcher's point of view means finding the codes with the same meaning and merging them together.[8]

Table 2-coding according to similarities

Name of the small hotel	Codes	Theme	Category
Hotel Canmark	Sole proprietorship		
Amaya Green Banquet Hall	Saniro Ind. Pvt. Ltd.		
Hotel Himali	Sole proprietorship		
Hotel Malindi	Sole proprietorship		
Hotel Orient	Company		
Hotel Remarko	Company		
Sandalanka Holiday Resort Inn	Sole proprietorship		
Saminro Reception Hall	Sole proprietorship		
Sunshine Inn	Sole proprietorship		
Hotel Ella Mount Heaven	Sole proprietorship		

At the second stage of the coding process in inductive analysis [3], the researchers tried to find the similarities of accounting practices between the selected hotels.

Table 3 Coding and Identify Similarities of Practices

Name of the small hotel	Codes	Theme →	Category →
Hotel Canmark	Yes		
Amaya Green Banquet Hall	Outsourced		
Hotel Himali	Outsourced		
Hotel Malindi	Outsourced		
Hotel Orient	Internal and External Audit		
Hotel Remarko	Internal and External Audit		
Sandalanka Holiday Resort Inn	No		
Saminro Reception Hall	Outsourced		
Sunshine Inn	Outsourced		
Hotel Ella Mount Heaven	Internal and External Audit		

limitation of reliability of data and this will limit the scope of the analysis and the size of the sample also influenced on **this**. It was a significant obstacle in finding a trend and a meaningful relationship. But this will be an opportunity to describe the need for future research.

2.7 Limitation of the study

When proceeding this research, the researchers had to face some limitations.

Sample size

Due to the size and complexity of the structure of the hotel sector in Sri Lanka, the research focuses only on the small hotels in Sri Lanka with maximum 100 numbers of employees and researches= selected only 10 small hotels from different areas such as Bandarawela, Gampaha, Nuwara-Eliya and Monaragala.

Thus, other segments in hotel sector such as Villas, Large Luxury Hotels, Colonial Tea Plantation Bungalows, Wildlife Safari and Eco Retreats and Spa, Ayurveda and Yoga have been left out from the study due to the number of employees exceeds the maximum level-thereby raising the concern on whether the finding of this research are applicable to those segments and categories.

Lack of reliable data

When interviewing the selected 10 hotels some people were refraining from giving exact answers for some questions related to their income and expenses and some were answered carefully thinking more about the questions. So there is a

3. LITERATURE REVIEW

Conceptual framework/working model

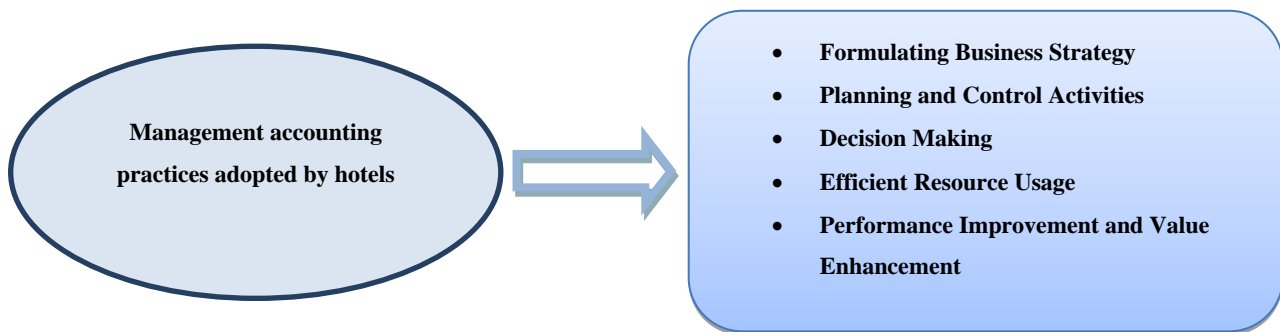


Figure 2 Conceptual framework/working model

Sunarni, Christina Wiwik in Management Accounting Practices at Hospitality Business in Yogyakarta, Indonesia stated that “main focus of management accounting has always been to improve the organization performance and profitability by providing relevant information for planning, controlling and decision making”. [9] Management accounting can define as accounting, in relation with management function. [10] It is the process of preparing reports and accounts that provide timely and accurate statistical and financial information to managers to make long-term and short-term decisions. It helps organization to achieve its goals through identifying analyzing, interpreting and communicating information. Financial accounting provides information to both internal environment and external environment of the organization, but management accounting is mostly aimed helping managers inside the organization with decision making.

Management accounting is not for tax purposes or preparing financial reports. It is for internal use. Balance score card is a method of identifying and improving internal functions of the business and their external outcomes. It will provide feedback to the organization to improve internal functions of the organization. Budgeting is the process of generating a plan to spend money of organization. This plan is called a budget. It allows determining in advance whether organization will have enough money to do the things need to do or would like to do. Through an effective budget manager can perform their functions efficiently and effectively. It will focus management attention to most important tasks and save management time while maximize the efficiency. It will establish a foundation for internal audit and help to evaluate each department results on regular basis. [11] Effective budgeting system will monitor and control and also improve communication and coordination of whole business organization, it will allocate scarce resources in optimal way to each department. Cash flow forecasting will enhance understand about shortfalls in cash balance advance, make sure that the business can afford to pay liabilities and identify problems with customer payments. Performance evaluation is a process that management identify, evaluates and provides feedback on performance of employee, including steps to improve activities as needed. It will help to evaluate each employee, give advices individually, give promotions and motivate them or take off employee if it is necessary.

Absorption costing is a method of calculating the cost of an enterprise or product by taking into account overheads as well as direct costs. Marginal costing and target costing will help to measure the costs of each product or service, identify the

ways to reduce cost and give an idea about setting profit margin. [12] BPR or Business process reengineering is the analysis and redesign of workflows within organization in order to optimize processes and automate tasks. It will make a dramatic change of the company by Refocus and Redesign core processes, often using information technology to enable improvements and Improve business processes across the organization. So business can achieve a radical change in performance. It will boost competitiveness and make a competitive advantage.

There are many other management practices such as Just in Time Systems, Total Quality Management, Life-cycle Costing, Re-order Levels, EOQs, ABC Analysis, Kaizen Costing, Benchmarking and etc. All these management accounting practices help to coordinate different areas of the business.

It helps to take decisions in short term and long term which will effect to the whole organization, improve the efficiency and effectiveness of the functions of organization and ultimately help to deliver a value added product or service to customer. It implies management accounting is a crucial part of any business.

3.1 Management accounting in Sri Lankan context

In Sri Lankan context understanding and awareness about management accounting practices is rare. CIMA Sri Lanka division has done a research about Management Accounting Practices in Quoted Public Companies in Sri Lanka [13] Objectives of the study were Identify the types, intensity and coverage of Management Accounting practices used in companies and Examine whether there is a gap between the theory and practice of Management Accounting, and if so, suggest possible causal factors contributing to the observed gap. The findings of this study suggest that there is considerable gap between Management accounting theory and Management accounting practice in business in Sri Lanka. These gap creates 2 different costs. Firstly, the nation fails to enjoy the benefits that should accrue to it if this gap could be narrowed; secondly, considerable expenditure is incurred annually to contribute to a state that gives rise to such a gap. Steps have to be taken to arrest this situation without delay.

To fill this gap researches should conduct industry wise. Government should identify top sectors of the Sri Lankan economy and introduce these management accounting practices to them. They should pass the basic knowledge to implement management accounting practices. To do this,

researches about awareness of management accounting practices of each sector will be helpful.

During year 2016 up to November, Sri Lanka Tourism recorded 18.1% growth on arrivals with 1.5 million arrivals. The total tourism revenue generated was US\$2.2 billion Sri Lankan tourism authority has set a target of 2.5 million in 2017 and 4 million by 2020. But existing room inventory is calculated to be inadequate to cater the tourist arrivals. This is why country need to develop small hotels.

To develop small hotels, they should evaluate each areas of the business, try to reduce cost, find new ways to develop business and modify business, by differentiate attract customers. If they receive government support (loan facilities) they should know how to allocate and use that money efficiently and effectively. So conducting a research to measure awareness of the management accounting practices will be helpful in future.

In global context there are lots of researches done on this side. Researchers chose 2 main articles to develop the research. Researchers referred an article written by Ruth Mattimoe Ireland about financial management skills in small tourism businesses. [14] This research paper aims to diagnose the level of financial management capability in twelve owner-managed activity centers, restaurant's and accommodation businesses using interpretative exploratory interviews. They used micro entities have up to 10 employees and small companies employ up to 50 workers. The objectives of the study were to explore the training qualifications, financial management awareness, and prior business experience of owner managers and participation of tourism and learning networks, examine information systems currently in use to run the business, together with approaches adopted by owner managers in managing risks and identify any gaps in these compared to best practice and to examine the degree of interaction with external accountants and the satisfaction level of owner managers with this support. When choosing SMEs three main categories were emerged.

Micro entities have up to 10 employees, small companies employ up to 50 workers and medium size enterprises up to 250 workers. They identified challenges faced by Irish SMEs such as lack of financial capability of owner managers, lack of information sources for owner managers, the need for external support for owner managers and the lack of financial management skills and practices and the role of networks. They used interview guide to collect information. This research is not about management accounting. But researchers developed research according to way this paper used collect information and making a sample.

The other paper is written by Christina WiwikSurarni [9] Indonesia about Management Accounting Practices at Hospitality Business in Yogyakarta, Indonesia. Result of this research generated through sample of 61 hotels. Two main objectives of this paper were provide empirical evidences on the current management accounting practices in hospitality business, especially hotel industry and try to identify the evolution stages of management accounting evolution in hospitality business (according to IFAP perspective). This study uses 30 management accounting tools to represent the current management accounting practices in hospitality business that represent 5 management functions: cost determination, management planning and control, performance evaluation, decision making and strategic analysis. To develop the questionnaire, we used this paper.

In Sri Lankan context there is no any researches conducted on this sector yet. Hotel sector plays a major role in economy and support from SME will improve the sector revenue. To develop SMEs, they should have proper effective operations. Management accounting will help to improve overall business.

4. DATA PRESENTATION AND ANALYSIS

The aim of this objective was to find about the awareness of different management accounting practices of small hoteliers. The researchers have interviewed 10 hotels in different areas. Through the interviews the researchers have identified the level of knowledge of small hoteliers about management accounting practices.

4.1 Formulating Business Strategy

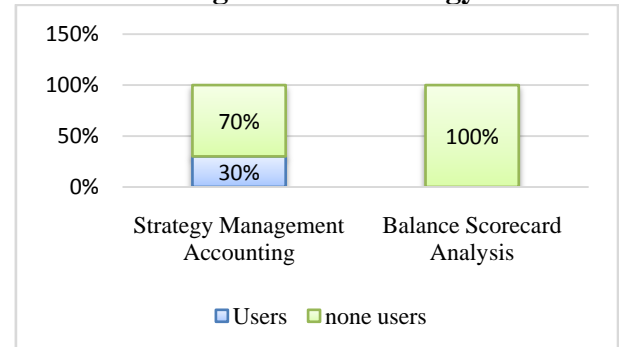


Figure 3 Formulating Business Strategy

According to this study, the researchers have identified that 30% of the hoteliers use the Strategy Management Accounting technique and 70% do not use this technique. These technique users are Hotel Orient, Remarko Caters and Hotel Ella Mount heaven. And also the researchers have identified that balance score card technique is not used by any hotel.

The hotel Orient is maintaining financial records through an internal accounting division. According to the Remarko, they said "strategic management accounting is being done. Because we formulate it in our organization. Basically, we have ERP system. That helps us to manage the daily production, sales, etc. Through the software all information is analyzed as reports." Through this the researchers have identified that the Remarko compare their objectives with the accounting information to make decisions. According to the hotel Ella Mount Heaven,

Through this the researchers have identified that only Hotel Orient, Remarko Caters and Hotel Ella Mount heaven use the strategy management accounting technique.

4.2 Planning and Control Activities

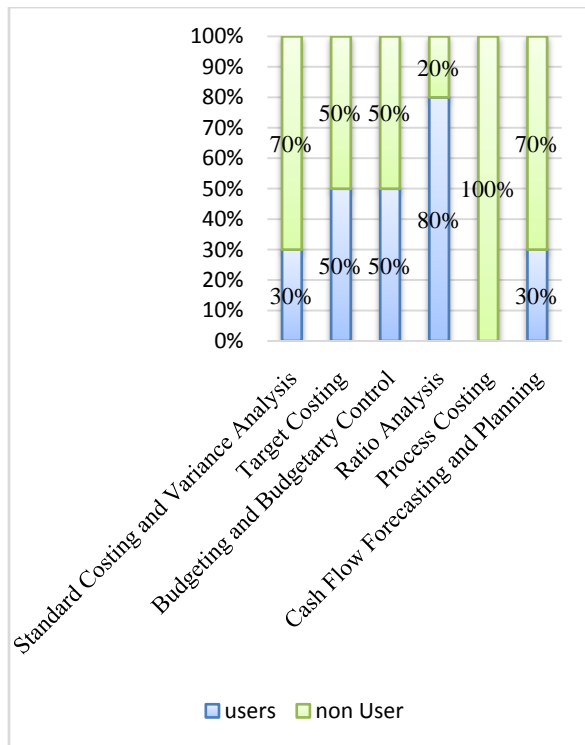


Figure 4-Planning and Control Activities

In this chart researchers have identified that users of standard costing and variance analysis is 30% and non-users are 70%. The researchers have identified technique users as Hotel Orient, Remarko Caters and Hotel Ella Mount Heaven. When considering the Hotel Orient, when the researchers asked "do you calculate cost on activities?" they said "Yes. We make cost for functions. When deciding a cost of menu just think your revenue is 1000. You measure a standard cost of 400. you think your profit will be 600. But actual cost is 600. According to that you adjust your profit and identify the reasons why cost **was** fluctuated." When considering the Remarko Caters, they said "so all the variance analysis done through the software." In Hotel Ella Mount Heaven, when the researchers asked "Did you have any expenses margin about the functions before it?" they said "Yes" and when the researchers asked "Did you previously calculate it?" they said "Before we made the menu we calculate the cost of each. After that we estimate the price."

The researchers have identified that 50% of small hoteliers use target costing. They are Hotel Malindi, Hotel Orient, Hotel Ella Mount Heaven and Remarko Caters. When considering Hotel Malindi, they said "No not that much just have an idea about profit margin. But we can't definitely say what will be the cost of function who participate 150 people. We can't definitely say what will be the profit." In Hotel Orient they said that they target the cost of the next year based on the cost of the previous year. When considering Hotel Ella Mount Heaven, they use target costing technique. When considering Remarko, they said "(do you calculate how much going to one recipe) ...ohh. Absolutely it is done by ERP." So through these things the researchers have identified that these hotels use the target costing technique.

There are 50% users of budgeting and budgetary control and non-users are 50%. Users are Hotel Ella Mount Heaven, Saminro Reception Hall, Amaya Green Banquet Hall, Hotel Orient and Sandalanka Holiday Resort Inn. When

considering the Hotel Ella Mount Heaven, they said, "Next month is budgeted according to the current month. We budget next month by adding Rs. 20/= for the menu. In Saminro Reception Hall, when the researchers asked "Do you plan the next wedding after checking the expenses of the today's wedding?" they said, "No. It changes from one to another. We check the reports for number of years and then we increase prices of an item with gradual price increment by Rs. 100. We do it yearly. From the next 1st of January we give the customers leaflets with the price lists informing that we are increasing prices by Rs. 100." According to the hotel Orient when the researchers asked, "Do you do Budgeting and forecasting?" they said, "Yeah we do. As a General Manager (he is showing generated budgeting reports) the target of the 2017 is 32 Million. That is the target given to me by upper management. If I want to get profit of 32 million I have to earn 113 million revenues without service charge and tax. So per room, I have to earn RS6800 income daily. I have to increase room revenue by 10%.15%, 17% in seasons. I have to achieve 53% occupancy for the hotel."

The Ratio analysis is used by all the hotels in the sample except Hotel Canmark and Amaya Green Banquet Hall. Through all the hotels that use the ratio analysis Hotel Orient, Remarko Caters and Hotel Himali have stated about this technique clearly. As an example Remarko Caters said "Ratio analysis is done in terms of salaries again sales, return again sales.

Actually we are doing all sales ratios, we do HR cost again sales, as an example last month we do 20 million sales, we compare it with HR cost, we develop the ratios so I can lead our production managers to not expend too much on temporary workers, or if we identified salary cost is high (so you are using methods to reduce costs) definitely...otherwise we can't take proper decision. you have to go through those numbers." Through these citations the researchers have identified that these previously mentioned hotels use the ratio analysis technique.

The Cash flow forecasting and planning used only by Hotel Ella Mount Heaven, Remarko Caters and Hotel Orient. It is represented by 30% of the chart and 70% of small hoteliers do not use this technique. According to Remarko Caters they said, "We just analyze cash flow. According to previous month cash flow and current month potential cash flow we do the expenditure." In Hotel Ella Mount Heaven, they said, "Normally we checked daily. At the end of each month we check the total accounts. In monthly we have a person to do activities relevant to wedding functions. We have another person also to reserve for functions. Another person has to wedding reservation. Reserve means rooms. Another person has for the restaurant. We checked all three facilities daily. After that at the end of every month get the all three income and compute them to compare to other days. At the end of the month we prepared full account." According to these citations the researchers have identified that these hotels use the cash flow forecasting technique.

Through this the researchers have identified that only Hotel Orient, Remarko Caters and Hotel Ella Mount, Heaven Hotel Malindi, Hotel Canmark, Amaya Green Banquet Hall, Saminro Reception Hall, and Sandalanka Holiday Resort Inn use the management accounting practices in Planning and Controlling Activities.

When considering the awareness of the techniques in standard costing the Hotel Malindi, Sunshine Inn and Saminro Reception Hall. In Hotel Malindi they said, "No not that

much just have an idea about profit margin. But we can't definitely say what will be the cost of function who participate 150 people. We can't definitely say what will be the profit."

In Saminro Reception Hall they said, "We can't get an exact income for a month. Our income is increasing according to the number of weddings that we have. We can guess the income according to the number of weddings that we have that relevant month. It changes no. when the number of weddings increasing our income is also increasing.

When the number of weddings is decreasing our income is also decreasing." and also in Sunshine Inn they said that they have an overall idea about all these management accounting techniques. but they do not use any technique.

The process costing technique is not used by any hotel in the selected sample. All the planning and controlling techniques are used only by the Hotel Orient and Hotel Ella Mount Heaven.

4.3 Decision Making

In this chart, researchers have identified that Absorption costing technique is use by the 20% of small hoteliers. Those are Hotel Ella Mount Heaven and Hotel Orient and any hotels do not use variable costing.

In Hotel Ella Mount Heaven, they said that they check the total accounts at the end of each month and they have a separate person to calculate costs relevant to the wedding functions.

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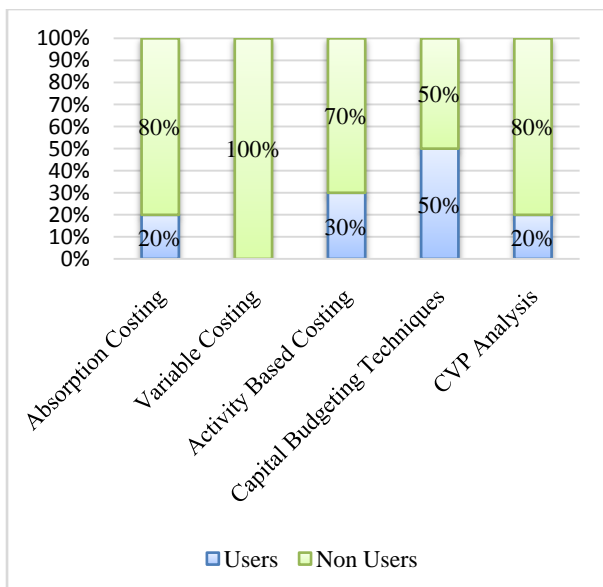


Figure 5 Decision making

Activity based costing is used by only 30% of the small hoteliers. There are Remarko Caters, Ella Mount Heaven and Hotel Orient. In Remarko Caters they said that they calculate cost of a single activity of a process such as in a process of preparing food items etc. Through the ERP system.

When considering the Ella Mount Heaven, they said that they consider the market price and through that the researchers have identified that they calculate the activity base costing based on the market price and also they said "Before we made the menu we calculate the cost of each. After that we estimate the price." So the researchers have identified that these above mentioned hotels use the activity base costing technique.

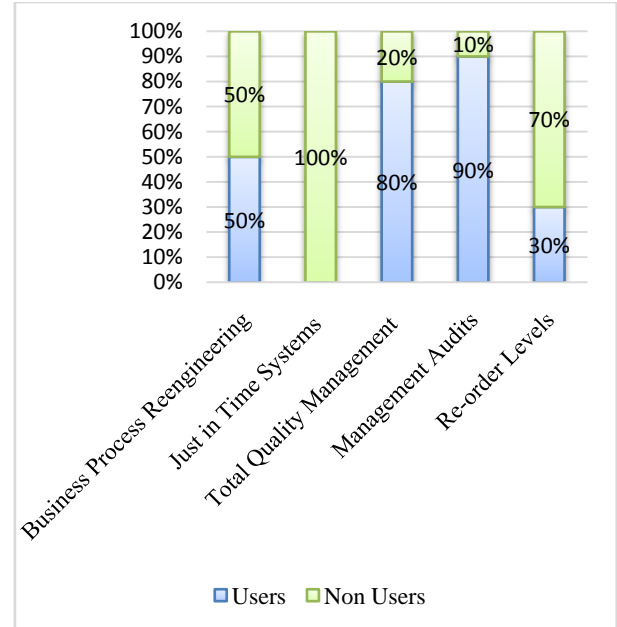


Figure 6-The users of Efficient Resource Usage practices

The Capital budgeting technique is also used by only 50% of small hoteliers. The researchers have identified these hotels as Hotel Malindi, Hotel Himali, Saminro Reception Hall, Ella Mount Heaven and Hotel Orient. According to the Hotel Malindi when the researchers asked "Just think you did an investment for the hotel for a long period, such as new rooms, new chair set or building a new balcony. Do you measure when can be that spend money will get back (payback period)." they said, "No we don't have any idea miss because we made a pool for hotel. We thought it would be profitable. We had a target. But we didn't get that much business for the pool. So we can't figure out it." According to Hotel Ella Mount Heaven they said, "Usually we expense more than Rs. 20000/= for the modification of the room. And we also estimate budgeted period to recover the cost. Then we budgeted to give 10 rooms and each for Rs. 2000/=. Under the budget there will be have room cost and other supplementary cost of soap, shampoo, and food cost and also the cost of investment goods for the room. We can calculate the profit of each room by after deducting the above supplementary cost." In Saminro Reception Hall when the researcher asked "So do you measure the time period that you can earn the cost which you incurred for a long term project. As an example you constructed a new hotel no. So can't you guess the time period that you can earn that cost?" they said "That can't be done because we have spent on that project about 30 crores. We have spent for that about 30 crores without the land. We can't say that it can be earned from 5 years because there should be weddings for that hotel also. The minimum plate price of that hotel is Rs. 3500 and increasing. The plate price of this hotel is lower than that.

Here it goes for Rs. 1750 and increasing." In Hotel Himali

when the researcher asked "If you do any expense for a long-term do you measure when you can earn it back? Payback period. As an example if you make a balcony or new roof do you calculate when will you earn that expense back?" they said "Yeah". According to hotel Orient when the researchers asked " you measure result of long-term investment?" they said, " Yeah, we calculate but that is a responsibility of upper hotel management. That is done by them.

Not finance division. If they made five rooms they can monitor room income daily, monthly and plan how to earn the cost."

The CVP analysis is only used by Hotel Orient and Remarko Caters and the CVP technique users are represented by 20% of small hoteliers and other 80% of small hoteliers do not use this technique. When considering the Remarko Caters they said that they use the CVP technique through their own ERP system.

When considering the variable costing all the small hoteliers just have an idea about this technique. The Hotel Orient use all the techniques except the variable costing technique.

So the majority of the decision making techniques is used by the Hotel Orient, Remarko Caters and Hotel Ella Mount Heaven.

4.4 Efficient Resource Usage

In this chart researchers have identified that 50% of hotels use Business Process Reengineering technique and the researchers have identified those are as Hotel Canmark, Hotel Malindi, Remarko Caters, Saminro Reception Hall and Hotel Ella Mount Heaven.

Total quality management is also used by the 80% of the sample. All the hotels use this technique except Hotel Canmark and Amaya Green Banquet Hall. All the hotels that use this technique through giving advices to employees, regular meetings, performance evaluation.

In Sunshine Inn they said, " Healthy service has given award as best hotel(cleaning)." According to hotel Orient they said, "yeah we conduct meetings to employees to give advices. We have departments, housekeeping, bar, restaurant, kitchen and garden. We give advices daily or 3 or 4 times a day. There are supervisors, head of department and mangers in each department. They brief employees how to work. They give instructions normally each day or after each two days or twist a day."

Total quality management is also used by the 80% of the sample. All the hotels use this technique except Hotel Canmark and Amaya Green Banquet Hall. All the hotels that use this technique through giving advices to employees, regular meetings, performance evaluation.

In Sunshine Inn they said, " Healthy service has given award as best hotel(cleaning)." According to hotel Orient they said, "yeah we conduct meetings to employees to give advices. We have departments, housekeeping, bar, restaurant, kitchen and garden. We give advices daily or 3 or 4 times a day. There are supervisors, head of department and mangers in each department. They brief employees how to work. They give instructions normally each day or after each two days or twist a day."

The Management audit is also done by all the hotels and it is done through internal and external audit except in the Sandalanka Holiday Resort Inn.

The Re-order level is also used by 30% of the sample. The researchers have identified these hotels as Remarko Caters, Hotel Ella Mount Heaven and Hotel orient.

The Sandalanka Holiday Resort, Saminro Reception Hall, Sunshine Inn and Canmark hotels are just aware about these techniques. But they don't use this technique. In Remarko Caters they said, "ROL are run through the programme, it is done through ERP. So we can track material through system." According to the Hotel Ella Mount Heaven when the researchers asked, "So KOT means EOQ which estimate how much stock wants to have. All the process completed is you called it as BOT?" they said, "Yes...BOT means Bar Order Ticket. KOT means Kitchen Order Ticket." So through these citations the researchers have identified that these hotels use the Re-order level technique.

When considering the Just in Time technique, all the hotels use different techniques instead of this technique. All the hotels except the Hotel Sandalanka use either internal or external audit or both.

4.5 Performance Improvement and Value Enhancement

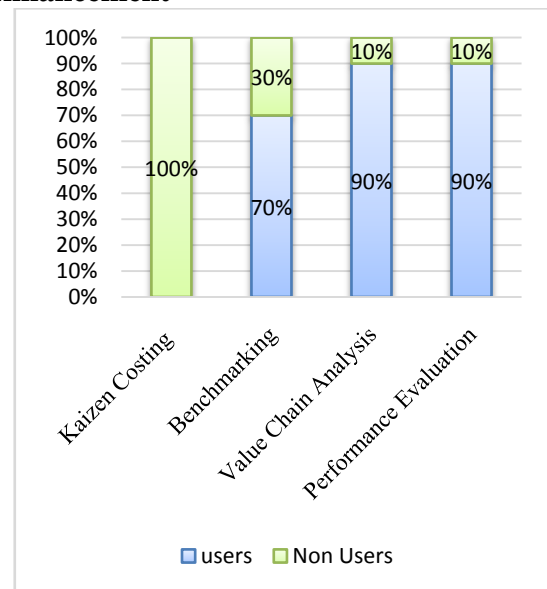


Figure 7 The users of Performance Importance and Value Enhancement practices

The Benchmarking technique is also used by 70% of the sample except Hotel Canmark, Sandalanka Holiday Resort Inn and sunshine inn. In Remarko Caters they said, "We do benchmarking, we consider about the quality, we get competitors' products and at the production meeting we analyze variance between our products and competitor. And identify how to achieve that quality." According to Hotel Ella Mount Heaven they said, "We have only six rooms. All others are deluxe room. We have two major room categorized. They are deluxe and super deluxe room. Deluxe room not have swimming pool. Super deluxe room have swimming pool. So when compare our rooms with others our room standard is high." In Hotel Orient they said that they offer various facilities like Ayurveda facilities, safety facilities, garden facilities and all other basic facilities better than compared to other competitive hotels in their area. So through these citations the researchers have identified that these hotels use the benchmarking technique and also they said, "No we are

not comparing. But we try to achieve our own budgeted targets. That's it. We do our all operations, according to the chairman. Operations of the hotel is designed by our chairman. He is a chartered accountant. He is implementing all strategies."

The Value Chain Analysis is used only by 90% of small hotels and 10% of small hotels do not use this technique.

Most hotels use cost leadership and others use differentiate strategy. All this technique user did not mention exactly that they use this technique, but the researchers identified those hotels through various information provided by them.

Awareness	=	Number of Management Accounting practice users	+	Number of hoteliers who only aware
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The Performance Evaluation is also done by 90% from sample except one hotel which is Amaya Green Banquet Hall. According to Remarko Caters they said, " we do performance evaluation for employees. Before salary increment wedo we do performance evaluation meeting for all employees. At the meeting employees can tell their issues and production manager can complain. We give at least one salary increment to our employees at every 3 months to keep employees motivated. We provide training.... If a new employee does not have any knowledge we couple them with old employee to learn. Production manager is responsible about your training. We gave sales trainings." Through these citations the researchers have identified that these hotels use performance evaluation. The Hotel Orient and Hotel Ella Mount Heaven use all the techniques.

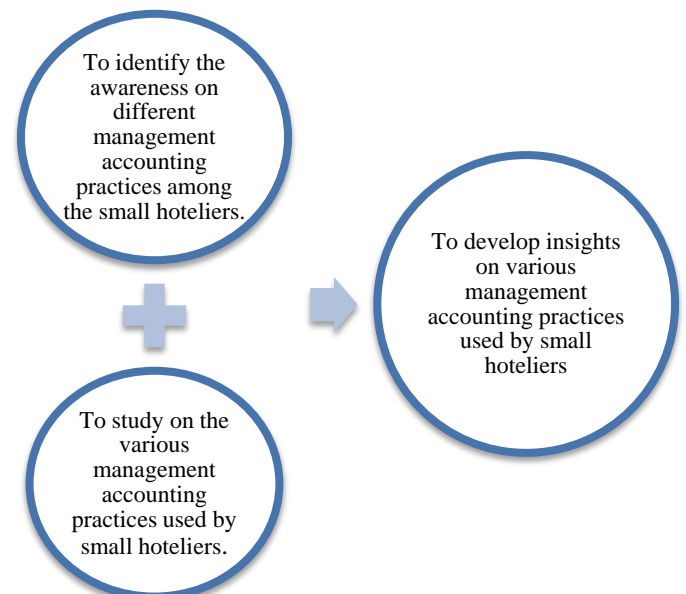
According to the researchers' analysis, researchers have identified that kaizen costing technique is not used by all the hoteliers. Some hoteliers are using different methods instead of Kaizen costing technique.

4.6 Awareness



Figure 8-The awareness of management accounting practices by small hoteliers

awareness is calculated by the total number of small hoteliers who are using the management accounting practices and who are only aware of the management accounting practices.



Equation 1-measuring awareness

When considering the awareness of the management accounting practices by small hoteliers, all the hotels aware of the variable costing but no one uses this technique. The majority of the hotels use and aware of the performance evaluation, value chain analysis, Re-order level and management audit.

The 80% of the small hoteliers use and aware of the benchmarking, total quality management, business process re-engineering, ratio analysis and budgeting and budgetary control. When analyzing the awareness of these techniques the researchers have identified that majority of small hotels

who use budgeting and budgetary control and ratio analysis follow management audit also. As an example the hotel Orient and hotel Ella Mount Heaven use management audit with ratio analysis and budgeting and budgetary control practices. So the

researchers have identified that the financial reports of them are in standard level than other small hotels. The 70% of the small hoteliers aware of balance score card, standard costing, target costing, kaizen, JIT, CVP, capital budgeting techniques, activity based costing, absorption costing, cash flow forecasting and process costing techniques. All the small hoteliers do not use the process costing technique but only 70% of small hoteliers are aware of this technique. The JIT and Kaizen techniques are not used by all the small hoteliers but they use different practices instead of that techniques.

Through the above findings the researchers have identified that the level of awareness of management accounting practices by small hoteliers. Likely the researchers have achieved the sub objective to identify the awareness of different management accounting practices among small hoteliers.

5. FINDINGS AND CONCLUSION

The researchers have mainly focused on what are the management accounting practices used by small hoteliers. So the researchers made the objectives as to identify the awareness of different management accounting practices and Study the various management accounting practices used by small hoteliers. The researchers have selected sample as 10 hoteliers in different areas such as of Bandarawela, Yakkala, Ella, Nuwara-Eliya, Kadawatha and Monaragala and which they have less than 100 employees. In this Analysis, the researchers have identified most of the hoteliers do not know about the Management accounting practices because most of the hoteliers conduct their business according to their experience. They don't have good knowledge about these practices and they do not have a good education background. Some hoteliers know about management accounting practices. But they don't use these practices. The reason identified is that it is costlier to maintain those practices because of the lower income earned as small hotels. Some other hotels use these practices in their businesses even though they have different opinion about management accounting practices; most of hotels use these practices in their own way. They use these practices even it is not the correct method or they do not know clearly about these practices.

We identified that some hotels use just in time in their own way to maintain their stocks. Some hotels don't maintain their stock. When they need food items they go and purchase these items from special places. Most hotels evaluate employees' performance in their own method. They do management auditing mostly through the outsource firms. Most of the hotels maintain the quality of the hotels and use Kaizen practice in their own way. Likewise, the researchers have identified that these small hotels use their own system to do these practices.

Some hotels are maintaining a good relationship with employees when most of the other hotels are having the major problem of employee turnover. They treat employees well through providing good training; loans and offering promotion and also they support employees when they are having financial problems. The researchers have specially identified that their main problem as infrastructure issues.

Also the researchers have identified that more management accounting practices followed by mainly the Hotel Orient, Remarko Caters and Hotel Ella Mount Heaven. The Hotel Orient has awarded because of following more management accounting practices. Now they have good standard as a 5-star hotel. The Hotel Ella Mount Heaven also maintains a certain level of standard because they use these all management technique. The Remarko Caters also uses special method of ERP system to maintain all finance and management accounting practices. Therefore, researchers have identified that if researchers can follow these management accounting practices, they can maintain certain good standard in their hotels.

6. RECOMMENDATIONS FOR FURTHER RESEARCH

According to the research, researchers have identified that if hotels can follow management accounting practices; they can maintain a good standard and continue their business well. But because of their lack of education background they don't know about these practices. The researchers can do further research about how to guide them to aware about these management accounting practices and how to motivate them to follow these practices. And also the future researchers can do more researches about how to follow these management accounting practices at lower cost.

The research limited to sample of 10 hotels. But researcher can do further researches about this topic by interviewing more hotels about information about management accounting practices.

Researchers have identified that these hotels have faced lot of challenges such as employee turnover, lack of infrastructure facilities. The researchers can do further research about challenges faced by these small hoteliers and how to overcome these challenges. The researchers can identify how to adopt this management to other hoteliers.

There are lots of management issues because they do not have a good management due to the lack of education background or good training. The researchers can do further research about how to develop management skills of these hoteliers and how to provide good training, hold some camp for them and increase the awareness about these management techniques and to improve their business further more.

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