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IMPLEMENTATION OF SEGMENT REPORTING STANDARDS IN THE HOSPITALITY INDUSTRY – A COMPARATIVE STUDY

ORIGINAL SCIENTIFIC PAPER

The aim of this paper is to discuss how to implement segment reporting to realise the full potential of the management accounting system in hotel enterprises. The paper examines the use of segment reporting standards in Croatian hospitality industry and compares the results of four surveys. The results show an increasing implementation of the USALI methodology and a growing trend of segment report preparation and their usage by middle and low management. The findings highlight the need for implementation of an upgraded segment reporting system with new performance measures within the Croatian hotel industry.

Keywords: management accounting, segment reporting standards, Croatian hospitality industry, IFRS 8

INTRODUCTION

Over the past few years, the hospitality industry has been affected by both the world-wide growth in tourism and the economic recession. The growth of tourism has prompted hotel managers to expand the scale of their business, but the hard times, which spared no one, hitting vendors and customers alike, have forced the industry to become increasingly profit and cost-conscious. More attention is being paid to maximizing revenue and minimizing costs in an effort to improve the economic performance of hotel enterprises.

The information needed for decision making falls within the domain of the segment reporting system, which has to be appropriately developed and organized. Undoubtedly, the use of the segment reporting system in the hospitality industry differs substantially from its use in the manufacturing industry. Operation of hotel enterprises has some unique characteristics due to the various activities involved in it, essential for guest satisfaction, which is reflected in a full range of manufacturing, service and retail operations found within it. According to several authors[1], these particularities include: fixed facilities, direct contact with a guest, volatile customer demand, level of supply, diversifications, effective operational time, service and consumption, location, critical human factors, capital intensity and cost structure, which strongly differentiate it from the manufacturing industry.

Evidence about segment reporting system and its use in hotel enterprises are rather limited[2]. However, there is an active interest in hospitality management and particulary in cost and management accounting a practice, of hotel enterprises and important empirical research has been published[3]. This research will focus on the implementation of segment reporting standards and use of segment reporting information in the Croatian hotel industry. The comparative analysis has been done for a fifteen-year period.

1 Harris, P. J., *Profit planning*, Oxford: Butterworth-Heinemann, 1992. ; Jones, T. A., & Lockwood, A., 'Operations management research in the hospitality industry', *International Journal of Hospitality Management*, Vol. 17, 1998, 183–202.; Medlik, S., *The British hotel and catering industry: An economic and statistical study.* London: Pitman, 1961.
[2] Pellinen, J., 'Making price decisions in tourism enterprises', *International Journal of Hospitality Management*, Vol. 22 (3), 2003, 217-235.
[3] *e.g. Harris, P. J., Mongiello, M., Accounting and Financial Management, Elsevier, 2006.*

1. MANAGEMENT ACCOUNTING IN HOTEL ENTERPRISES

Management accounting measures and reports financial and nonfinancial information that helps managers make decisions to fulfil the goals of an organization[4]. Its primary focus is to provide information for internal decision-making and control. The process of producing information for managers and employees should be driven by the informational needs of individuals in the organization to guide their operating and strategic decisions. Management accounting produces financial and non-financial information about an organization's activities, processes, operating units, products, services, and customers.

Managers need information to guide their actions in order to achieve planned results and to make pricing decisions. Many authors emphasise that the hotel industry still does not have a properly developed management accounting system that could provide useful information for decision-making. Rather, it is oriented towards the traditional cost accounting systems (such as marginal costing method) and is very slow to adopt their performance measurement system to modern trends[5].

A developed management accounting system is useful in meeting the guests' needs and achieving business objectives[6]. Chenhall & Morris[7] and Mia & Chenhall[8] state that information of management accounting is required for high-quality decisions and for utilization of comparative advantages[9].

This is why management accounting has to provide information required for management decision making related to segment reporting standards[10]. Harris & Brander-Brown[11] indicate three specific reasons that render it tenuous for management accounting findings from the production industry to be applied to the hotel industry:

1. The production process can be repeated, as it is consistent with standards and mechanical processes. The extent of food, beverage, and guest accommodations in hotels, on the other hand, depends upon the interaction with guests, which leads to a high variety of operations in the hotel enterprises. A great diversity between guests leads to a variety demand and consequently to great uncertainty in the work environment.
2. The quality of personal services for individual guests and the preparation and implementation of services in hotels depends mostly on their employees. Consequently, management in hotels has to control principally the quality of services. On the other hand, the work in production is mechanized and subject to technical quality control.
3. The products and services of a single hotel are prompt and nonmaterial. They depend principally on the demand variability. The hotel's services, delivery and consumption are contemporaneous. If the hotel room or the table in the restaurant is not sold daily, the potential for selling it is lost forever.

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4 Horngren,C. T.,. Datar, S. M., Madhav, R., *Cost Accounting*, 15th Ed, Prentice Hall, 2012.

5 Banker, R., Potter, G., & Srinivasan, D. (2000). "An empirical investigation of an incentive plan that includes non-financial performance measures" *The Accounting Review*, *75*, 65–92. ; Brander-Brown, J., McDonnell, B., "The balanced score-card: Short-term guest or long-term resident?", *International Journal of Contemporary Hospitality Management*, 1995, Vol. *7*, 7–11.; Mia, L., Patiar, A.,"The use of management accounting systems in hotels: an exploratory study", *International Journal of Hospitality Management*, Vol. *20*, 2001, 111–128.; Phillips, P. A., "Hotel performance and competitive advantage: A contingency approach", *International Journal of Contemporary Hospitality Management*, *11*, 1999, 359–365.; Pavlatos, O., Paggios, I., "A survey of factors influencing the cost syste design in hotels", *International Journal of Hospitality Management*, Vol. 28, 2009, 263-271.

6 Damonte, L., Rompf, P., Bahl, R., Domke, D., "Brand affiliation and property size effects on measures of performance in lodgings industry", *Hospitality Research Journal*, Vol. *20*, 1997, 1–16.

7 Chenhall, R., Morris, D., "The impact of structure, environment and interdependence on the perceived usefulness of management accounting systems", *The Accounting Review*, Vol. *61*, 1986, 16–35.

8 Mia, L., Chenhall, R., "The usefulness of MAS functional differentiation and management effectiveness, *Accounting", Organization and Society*, Vol. *19*, 1994, 1–13.

9 Downie, N. J., "The use of accounting information in hotel marketing decisions", *International Journal of Hospitality Management*, Vol *16*, 1997, 305–312.

10 Dent, J., "Global competition: challenges for management accounting and control", *Management Accounting Research*, Vol. *7*, 1996, 247–269.; Govindarajan, V., "Appropriateness of accounting data in performance evaluation: An empirical examination of environment uncertainty as an intervening variable", *Accounting Organization and Society*, Vol. *9*, 1984, 125–136.; Mia, L., Chenhall, R., op. cit. (bilj. 8); Simons, R., "The role of management control systems in creating competitive advantage: New perspective", *Accounting, Organizations and Society*, Vol. *15*, 1990, 127–143.

11 Harris, P. J., Brander-Brown, J., "Research and development in hospitality accounting and financial management", *International Journal of Hospitality Management*, Vol. *17*, 1998, 161–181.

On the other hand, the goods produced can be entered into storage and sold subsequently. Simultaneous production, delivery and consumption in hotels enable corrective actions. That is why the work of management in hotel enterprises is more integrated, as is reflected also in the higher level of work uncertainty. Mia[12] (1993) demonstrated a positive relation between the extent of management accounting information used by management and work uncertainty. In more uncertain work circumstances, managers use a greater extent of MAS information.

The characteristics of the accounting theory in the hotel industry have already been specified by American studies and further tested, mainly by American, British, Scandinavian and Australian researchers[13]. Recently some efforts were recorded also in Japan, Eastern Europe, Croatia, Turkey and Greece. Regardless, attempts to implement upgraded management accounting standards are currently inadequate.

1.1. **Responsibility accounting and segment reporting**

The basic idea behind responsibility accounting information systems is that each manager's performance should be judged by how well they manage the items under their control. Segment reporting in responsibility accounting personalizes accounting information, by looking at costs and revenue from a personal control standpoint. For management in hotel enterprises, the answer to the control problem lies in standard costing, because cost standards indicate what the cost of the time or the materials should be.

Management attention can be directed to differences, thereby permitting managers to focus their efforts where they will do the most good. In attempting to control costs and to optimize the output, managers in hotel enterprises have many decisions to make. Each manager is assigned responsibility for the items of revenues and costs under their control, and for deviations between budgeted goals and the actual results.

Responsibility accounting aids in the delegation of authority by permitting the levels of management within the enterprises to be responsible for decisions regarding the economic factors that they can control. It is possible to summarize the overall idea by noting that it rests on three basic premises[14]:

- costs can be organized in terms of levels of management responsibility,
- costs charged to a particular level are controllable at that level by its managers, and
- effective budget data can be generated as a basis for evaluating actual performance.

Responsibility accounting provides information to the management about the performance of a sub-unit of the organization, and it is an accounting system which emphasizes the human element and its effects on operation, and stresses the control or influence that these managers can exert within the segment of the organization for which they are responsible. As hotel enterprises became more decentralized, responsibility accounting systems evolved because of the increased need to communicate operating results through the management hierarchy.

Responsibility accounting produces reports that assist each level of management to evaluate the performance of its subordinate managers and their respective organizational units. These reports reflect the revenues and/or costs under the control of a specific unit manager. Revenues or costs that are not under the control of a specific unit manager should not be shown on their responsibility reports. Most of the information communicated in these reports is financial, although same non-financial information should be included as well.

1.2. USALI standard in the hospitality industry

Much of the design of management accounting systems in the hotel industry evolved from the Uniform System of Accounts for the Lodging Industry (USALI). The USALI is a turnkey accounting system based on the needs and requirements of the hotel business. It establishes standardized formats and account classifications for the preparation and presentation of financial statements. Structured using the principles of responsibility

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[12] Mia, L., The role of MAS information in organizations: An empirical investigation. *British Accounting Review*, Vol. *25*, 1993, 269–285.

[13] Brander-Brown, J., Atkinson, H., "Rethinking performance measures: Assessing progress in UK hotels", *International Journal of Contemporary Hospitality Management*, Vol. *13*, 2001, 128–135.; Collier, P., Gregory, A., *Management accounting in hotel groups*, London: Chartered Institute of Management Accountants, 1995.; Geller, A. N., *Executive information needs in hotel companies*. Houston: Peat, Marwick, Mitchell & Co., 1984.; Dittman, D., Hesford, J., Potter, G., *Managerial Accounting in the Hospitality Industry*, Handbook of Management Accounting Research, Elsevier, 2009.

[14] Garrison, R. H., Noreen, E.W., Brewer, P. C., *Managerial Accounting*, Irwin, McGraw-Hill, 14th ed., 2004.

accounting, the USALI enables evaluation of performance of departmental managers based on revenues and costs within their control[15].

The first edition of the USALI was published in 1926 by the Hotel Association of New York City in an attempt to establish a uniform accounting system for member hotels. It was one of the earliest attempts by any industry in the United States to create guidelines for preparing internal accounting reports. It is also the first successful organized effort to develop a uniform accounting system for the lodging industry. It is designed to set accounting standards for lodging properties, such as account titles, departmental statements format, classification of revenues, and costs and ratio definitions.

The USALI reflects its cost accounting view because the appearance of the guidelines was the answer to the management needs. In 1961, the American Hotel and Motel Association developed a Uniform System of accounts for small and medium sized hotels and motels. Over the years, the USALI has been repeatedly updated to reflect the changes in the industry. The most current 10th edition was released back in November 2006, harmonized with the requirements of the US GAAP.

The Tenth Revised Edition of the Uniform System of Accounts for the Lodging Industry establishes standardized formats and account classifications to guide individuals in the preparation and presentation of financial statements for lodging operations (balance sheet, statement of owners' equity, statement of cash flows, notes to the financial statements), including the content and format for operating statements schedule presented in the summary operating statement, which includes data of different departments in the lodging activity[16]:

1. rooms,
2. food and beverage,
3. other operated departments,
4. rentals and other income,
5. administrative and general,
6. sales and marketing,
7. property, operation and maintenance,
8. utilities,
9. management fees,
10. rent, property and other taxes, and insurance,
11. house laundry,
12. employee cafeteria,
13. payroll-related expenses.

Today many hotel enterprises regularly report key operating statistics to consultants, and the uniformity provided by the USALI enables managers to benchmark individual performance against their competitors. The departmental statements of income provide some of the most important internal sources of information for hotel managers. To help ensure accounts uniformity, which is important for the comparability of operating units, the department (profit centre) income is computed by charging against revenues only a limited number of expenses that are traceable to the department.

Because of this approach, departmental expenses omit a number of significant costs that may be incurred by a profit centre. For most hotel properties, undistributed operating expenses (including administrative and general, marketing, property operation and maintenance, and utility expenses), combined with management fees, rent, property taxes and insurance, constitute a considerable portion of the total expenses. To better understand the impact of their decisions on operating costs and revenues, managers need to know the overall cost of operating a department (profit centre).

This information is useful for important business decisions including departmental profitability determination, pricing, staffing, outsourcing, expansion, and renovation decisions. It is also useful for making managers responsible for consumption of resources leading to cost occurrence and for monitoring the costs of departments, which are going to be assigned to their departments. The undistributed cost assignment, however, should be supplementary to the presentation of the departmental results after they have been stated in accordance with the USALI.

[15]Popowich, L., Taylor, D., Sydor, D., 'Uniforms System of Accounts for the Lodging Industry: Are you up to Date?', *The Bottomline*, Vol. 12 (7), 1997.
[16] USALI, *Uniform System of Accounts for the Lodging Industry*, X revised edition, Hotel Association of New York City, New York, Hospitality Financial and Technology Professionals Austin, Texas, America Hotel and Lodging Association Washington D.C., 2006, 3-173.

Based on the marginal costing method, the 10th edition of the USALI measures the performance by profit departments. It is designed to facilitate the control of the departmental contribution margin. It does not allocate the hotel overhead costs, but leaves them in the profit and loss account as period costs in the service (cost) departments, where they have arisen.

Calculating customer profitability, for example, is not possible based on the USALI system. However, marketing planning in hotels focuses on market segmentation, with specific marketing activities and packages targeted at individual market segments (customer groups). Thus, there is a mismatch of information, with accountants producing information for departments and revenue managers making decisions on market segments.

To design a more effective segment reporting system, hotel companies need to begin experimenting with reporting profit centre performance that provides a more realistic view of the resources consumed by operating departments and of allocations of undistributed operating costs to the operating departments. The allocation of these costs result in financial statements reflecting profit before income tax expenses by profit centers.

Understanding the full cost of operating a profit centre and knowing how each operational area is performing is vital for managing the financial results of hotel operations. Related research should also examine alternative forms of responsibility centres within a property[17]. Therefore, the USALI is insufficient and must be supplemented with activity-based costing methods (ABC) to provide information on strategic business issues that a hotel faces and to meet the operating data requirements of revenue decision-makers[18].

2. RESEARCH METHODOLOGY AND RESULTS

The purpose of this research was to identify the trends in the usage of the USALI methodology in hotel companies in Croatia. The longitudinal study carried out for a time period of 14 years has shown how the implementation of the USALI methodology and segment reporting was achieved.

A comparative analysis of four past researches was done by the Accounting Department Master and PhD students of the Faculty of Tourism and Hospitality Management, University of Rijeka[19 20]. This research was carried out as part of the overall faculty efforts to implement the theoretical basis of accounting and hotel standards in order to provide relevant information for decision making in the hospitality industry.

The first of these studies was done in 1996 on a sample of 212 hotels[21], the second one in 2000 on a sample of 176 hotels[22], and the third, which included small, medium-sized and large hotel companies in Croatia, in 2009 on a sample of 229 hotels[23]. The fourth study was done in 2011 on a sample of 103 hotels[24] and in this study, only large hotel companies and hotel chains were represented. On the starting points of this summarized researches, the following hypothesis were proposed:

H1: There is an increasing implementation of the USALI methodology in the hotel companies.

Over the years, hotel companies in transition countries have gradually started to implement modern management information systems that are the basis for long- and short-term decision making in order to achieve a better positioning in the tourism market.

[17] Potter, G. Schmidgall, R., "Hospitality management accounting: current problems and future opportunities", *Hospitality Management*, Vol. 18(5), 1999, 387-400.

[18] Ilić, S. (2001). *Activity-based costing as a Instrument for Market- and Value- based Management in Hotel Industry*. Doctoral dissertation. Vienna University of Economics and Business Administration

[19] The research has been conducted by Master and PhD students under the mentorship of Professor Milena Persic

[20] Ilić, S. *Performance Budgeting in the Croatian Hospitality Industry*/ Master Thesis, Opatija: Faculty of tourism and hospitality management, 1997, 150, Mentor: Peršić, Milena.; Turčić, M., *Accounting reporting system in hospitality industry*, Master Thesis, Zagreb Ekonomski fakultet Zagreb, 2001, 174, Mentor: Peršić Milena.; Peruško Stipić, D., *IT support for accounting information system in hospitality industry*. Master thesis. Faculty of tourism and hospitality management, Opatija, 2010., 150, Mentor: Peršić Milena.; Zanini Gavranić T., *Accounting preconditions for preparing information for business decision-making in hospitality industry*, University of Pula, Department for Economy and Tourism Dr. Mijo Mirković Pula, 2011, Mentor: Milena Peršić.

[21] Ilić, op. cit. (bilj. 20)

[22] Turčić, op. cit. (bilj. 20)

[23] Peruško-Stipić, op. cit. (bilj. 20)

[24] Zanini-Gavranić, op.cit. (bilj. 20)

Table 1 shows the percentage of implementation of the USALI methodology in hotel companies as a precondition for establishment of an information basis for short-term business decision making.

Table 1. **The percentage of implementation of the USALI methodology in hotel companies**

Year	Fully implemented			Partly implemented			Not implemented		
	%	Index	% of change	%	Index	% of change	%	Index	% of change
1997	21.21	-		18.18	-		60.61	-	
2001	27.5	129.66	29.66	29.5	162.27	62.27	43.00	70.95	-29.55
2010	29.79	108.33	8.33	36.17	122.61	22.61	34.04	79.16	-20.84
2011	91	305.47	205.47	0.00			9.00	26.44	-73.56

Source: Prepared based on Ilić, 1997, Turčić, 2001, Peruško-Stipić, 2010, and Zanini-Gavranić 2011.

It can be seen that in the period from 1997 to 2011 there was a growth in fully and partly implemented USALI methodology in hotel companies. It was as follows: in 2000, as compared to the previous research in 1997, there was a 29.66% growth of fully implemented and 62.27% of partly implemented USALI methodology. In 2010, as compared with 2001, there was an increase of 8.33% of fully implemented and 22.61% of partly implemented USALI methodology.

The last 2011 research, as compared to the 2009 research, demonstrates an increase of 205.47% of fully implemented with no partly implemented USALI methodology. The 2011 results should be taken with limitations, however, because the research in that year involved only large hotel companies. Consequently, alongside the growth of fully and partly implemented USALI methodology, there was a constant decrease in the percentage of hotel companies that did not implement the USALI methodology.

Based on these results, it can be concluded that the hypothesis that the implementation of the USALI methodology is increasing has been confirmed.

H2: The longer the time of implementation, the bigger the increase in the usage of segment reporting by middle and low management.

The USALI methodology and segment reporting system are primarily targeted for middle and low management and its short-term decision making process. If departmental managers are to be given authority and responsibility for their departmental operations, they need to be provided with more accounting information than only revenue and total costs.

In short-time decision-making, expenses need to be listed item by item, on all hierarchical level. Otherwise, department managers will have no knowledge about which costs are out of line and where additional control may need to be implemented to curb these costs.

The percentage of usage of information on different levels of management, based of the USALI standards and methodology, can be seen in Table 2.

Table 2. **The percentage of usage of the USALI methodology on different levels of management**

Year	Top management			Middle management			Low management		
	Value	Index	% of change	Value	index	% of change	Value	index	% of change
1997	82.00	-		13.00	-		5.00	-	
2001	65.80	80.24	-19.76	24.90	191.54	91.54	9.30	186.00	86.00
2010	14.89	22.63	-77.37	9.30	136.71	36.71	51.07	549.14	449.14

Source: Prepared based on Ilić, 1997, Turčić, 2001, Peruško-Stipić, 2010, and Zanini-Gavranić 2011.

The results are shown for years 1997, 2001 and 2010, because the 2011 research did not include these questions. It can be noticed that the percentage of the usage of the USALI methodology and its segment reports by the top management decreased by 19.76 % in 2001 in comparison to 1997, and by 77.37 % in 2010 in comparison to 2001. In contrast, the results with regard to the middle and low management show a positive growth in the usage of segment reports:

a) for the middle management, by 91.54% in 2001 in comparison to the previous 1997 research, and by 36.71% in 2010 in comparison to 2001;
b) for the low management, by 86% in 2001 in comparison to the previous research, and by 449.14% in 2010 in comparison to 2001.

Based on these results, it can be concluded that the hypothesis that there is an increasing usage of segment reporting by middle and low management as the time period increases has been confirmed.

H3: There is an increasing trend of preparation of segment reports.

Segment reports based on the USALI methodology can be prepared on a daily, weekly, monthly, quarterly, semi-annually or annually basis. It is a basis for showing the operating results of a business for a time period. The amount of details concerning revenue and costs to be shown on the income statement depends on the type and size of the hospitality establishment and the needs of the management for more or less information.

For the operating management, it is very important to have up-to-date information, which supports the operating decision-making process. Table 3 presents the percentage of usage of segment reports based on the USALI methodology for different time dynamics.

The research in 1997 and 2011 did not comprise these data, so the data compared refer only to 2000 in relation to 2010. The research results show a positive growth in all reported time periods. The increase in the usage of segment reports on the respective bases was: daily 316.67%, weekly 212.50%, monthly 25%, quarterly 476.92%, semi-annually 742.43% and annually 560.71% (table 3).

Table 3. **The percentage of usage of daily, weekly, monthly, quarterly, semi-annually and annually segment reports based on the USALI methodology**

Year	Daily			Weekly			Monthly		
	Value	Index	% of change	Value	Index	% of change	Value	Index	% of change
2001	9.00	-		8.00	-		68.00	-	
2010	37.50	416.67	316.67	25.00	312.50	212.50	85.00	125.00	25.00
	Quarterly			**Semi-annually**			**Annually**		
Year	Value	Index	% of change	Value	Index	% of change	Value	Index	% of change
2001	12.00	-		7.00	-		14.00	-	
2010	69.23	576.92	476.92	58.97	842.43	742.43	92.50	660.71	560.71

Source: Prepared based on Ilić, 1997, Turčić, 2001, Peruško-Stipić, 2010, and Zanini-Gavranić 2011.

According to the research results, the hypothesis that there is an increasing trend of preparation of segment reports has been confirmed.

3. DISCUSSION

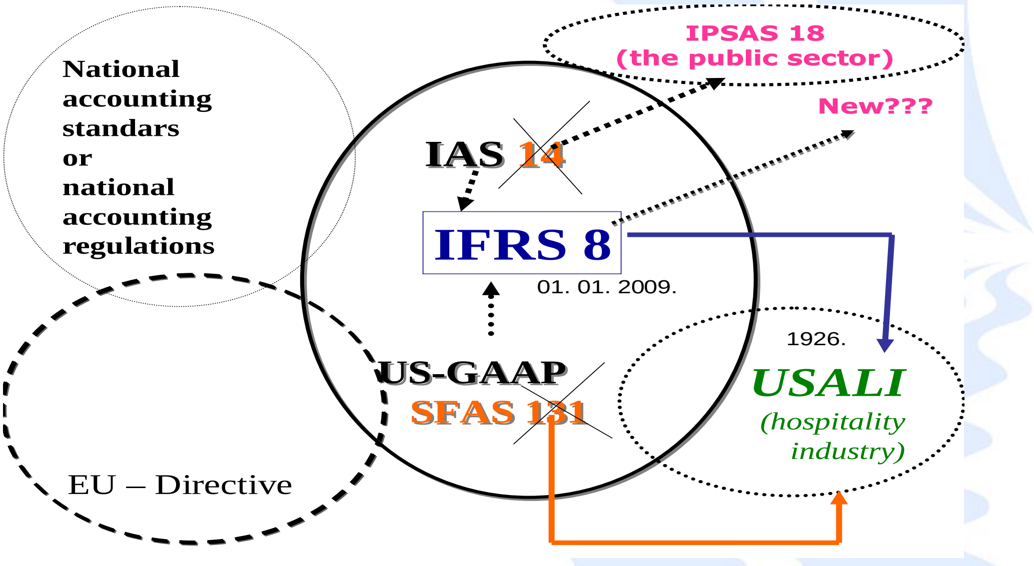
The application of the USALI standards in the world-wide hotel industry is only part of the overall process of harmonization of internal and external reporting, which is also supported by the International Financial Reporting Standard 8 (IFRS 8 - Operating Segments)[25]. Harmonization at the global level requires that the standards for external presentation of internally achieved results be in accordance with national and regional regulations and standards.

The agreement between IASB and FASB is significant for adoption of IFRS 8, based on which the best solutions of the existing U.S. GAAP SFAS 131 (Generally Accepted Accounting Principles - Statement of Financial Accounting Standards 131) and IAS 14 (International Accounting Standard 14) are taken.

Harmonization with the public sector standards was not simultaneous, however, so today there is an incompatibility between IPSAS 18 and IFRS 8 and USALI standards, since the concept of IPSAS 18 is based on IAS 14, not valid as of January 2009. The sequence of relations and connections is shown in Figure 1.

The application of the USALI standard has a much longer tradition than IFRS 8 and consequently the gained positive experience can be successfully implemented in other industries.

Figure 1. **Internal reporting system harmonization in hospitality and other industries**



Source: Prepared based on IFRS 8, 2009.

The research results provide evidence that it will be possible to implement IFRS 8 also in counties in transition (such as Croatia) that have so far proven to have a high degree of adjustment with the requirements imposed by the application of the USALI standards. Implementation of these standards greatly improved information reporting on all levels of management, especially middle and lower levels, for which information in basic financial statements is not sufficient.

25 IFRS (2009) International Financial Reporting Standards (IFRSs®) including international Accounting Standards (IASs®) and Interpretation as at 1 January 2009, International Accounting Standard Board®, London, 2009, 713 – 775.

CONCLUSION

The research results show a growing trend in USALI implementation and usage by middle and low management. It should result in a better authority and responsibility of managers for revenue generation and cost consumption to improve the overall profitability of the hospitality industry. The growing USALI implementation represents a good basis for using the management approach in establishing external segment reports according to IFRS 8.

Given the usefulness of uniform systems of accounts, it is important that hotel companies in Croatia adopt the USALI, but also introduce modern cost accounting methods. The findings highlight the need for implementation of an upgraded segment reporting system with new performance measures, such as eco and quality measures. This will be needed in order to make decentralization effective and to meet the planning, control and decision-making needs of hotel managers.

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