Accounting information for the cross-cultural business communication in the hospitality industry

Content of presentation

INTRODUCTION

CROSS-CULTURAL COMMUNICATION AND ACCOUNTING STANDARDS

SEGMENT REPORTING (IFRS, IPSAS, USALI, USFRS)

SUSTAINABILITY APPROACH OF REPORTING SYSTEM

KEY FINDINGS - RECOMMENDATIONS

Cross-cultural business communication

Research and development costs

Design costs

Production costs

Marketing costs

Distribution costs

Customer service costs

Responsability accounting:
- management information per responsibility units
- reporting statements for internal and external users
- budgeting, control and reporting of results by segments
- global standard for profit sector: IFRS 8
- industry standard USALI (hospitality industry), USFRS (SPA industry)
- public sector standard IPSAS 18

Strategic accounting:
- Tool for evaluation:
  - strategy
  - quality (ISO 9000ff)
  - environment impact (ISO 14 000ff, EMAS ...)
  - BSC in planning and control
  - SBSC sustainability (GRI ...)
  - SBU profitability, position in value chain
  - benchmarking, competition
  - customer profitability

Responsability accounting:
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- industry standard USALI (hospitality industry), USFRS (SPA industry)
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Managerial accounting:
- measures, analyzes and reports financial and nonfinancial information
- helps managers in decision making
- support planning, control and performance measurement
- evaluation basis of management effectiveness
- information basis for short term and strategic business decisions

Accounting & other standards
financial v.s. sustainability reporting

NOW (financial reporting)
FINANCIAL DATA
- IFRS / IPSAS – globally recognized approach
- Accounting Act – nationally recognized approach
- Segment reporting standards IFRS 8; IPSAS 18; USALI; USFRS

ACCOUNTING ACT
INOVATIVE APPROACH
FINANCIAL & NONFINANCIAL DATA
- GRI – indicators (G3 guidelines)
- EUROSTAT indicators
- HR BCS indices
- Corporate Responsibility (CRS) index
- Sustainability segment reporting standards

BENCHMARKING

Industries According to The Global Industry Classification Standard and National Classification Sector

<table>
<thead>
<tr>
<th>Industry</th>
<th>Companies Listed</th>
<th>Companies Whose Segment Information was Examined</th>
<th>Companies Whose Segment Information was Listed</th>
</tr>
</thead>
<tbody>
<tr>
<td>41. Food, Beverages &amp; Tobacco Products</td>
<td>33</td>
<td>12</td>
<td>36.4</td>
</tr>
<tr>
<td>30. 40.</td>
<td>22</td>
<td>5</td>
<td>22.7</td>
</tr>
<tr>
<td>15.</td>
<td>30</td>
<td>5</td>
<td>16.7</td>
</tr>
<tr>
<td>All other activities</td>
<td>29</td>
<td>5</td>
<td>12.8</td>
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<tr>
<td>74. Business services (legal, accounting, architecture, engineering, technical testing, analysis ...)</td>
<td>10</td>
<td>4</td>
<td>40.0</td>
</tr>
<tr>
<td>31.22. Manufacture of electrical equipment</td>
<td>9</td>
<td>2</td>
<td>22.2</td>
</tr>
<tr>
<td>20. 61. 63. Transportation and storage</td>
<td>12</td>
<td>10</td>
<td>40.0</td>
</tr>
<tr>
<td>Total</td>
<td>206</td>
<td>49</td>
<td>23.8</td>
</tr>
</tbody>
</table>

Implementation of USALI standards in Croatian hotels

We believe that USALI standards, as well as reporting by segments, are unnecessary.
We intend to introduce USALI standard.
USALI standards are for us unknown.
It is in use another segment reporting approach.

USALI standards have been partially introduced.
USALI standards have been fully introduced.

% (1) of (1) 0 1 2 3 74. Business services (legal, accounting, architecture, engineering, technical testing, analysis ...) 10 4 40.0 42. Construction 10 10 100.0 42. Construction 10 10 100.0
USALI (Xth edition) – Segment reporting standards for the worldwide hotel industry

Departmental/profit center reports = 1 + 2 + 3 + 4 (main hotel activities)

BALANCE SHEET
- Schedule 1: ROOMS
- Schedule 2.1: FOOD
- Schedule 2.2: Beverage
- Schedule 3: Telecommunication
  - Schedule 3.5: Tennis course / shops
  - Schedule 3.6: Transportation
  - Schedule 3.7: Golf course
  - Schedule 3.8: Spa
  - Schedule 3.9: Congress

STATEMENT OF OWNER'S EQUITY
- Schedule 3.10: Marine
- Schedule 3.11: Conference shop
- Schedule 3.12: Other shops
- Schedule 3.13: Children camp
- Schedule 3.14: Owner’s activities
- Schedule 3.15: Lottery

INCOME STATEMENT
- Schedule 3.16: Minor operated departments
- Schedule 4: Minor Operated departments
  - Schedule 4.1: Minor Operated departments
  - Schedule 4.2: Minor Operated departments

STATEMENT OF CASH FLOW
- Schedule 3.17: Minor operated departments
  - Schedule 18: Minor Operated departments

NOTES TO FINANCIAL STATEMENTS
- Schedule 5: Administrative & General
- Schedule 6: Marketing
- Schedule 7: Property operation and maintenance

Financial v.s. sustainability reporting
- IFRS / IPSAS – globally recognized approach
- Accounting Act – nationally recognized approach
- Sustainability segment reporting standards
- GRI – indicators (G3 guidelines)
- EUROSTAT indicators
- HR BCSD Corporate Responsibility (CRS) index
- Sustainability segment reporting standards
The Accounting Act (2007)

Chapter VIII: ANNUAL REPORT

Article 18

An entrepreneur is obliged to prepare an annual report that includes an objective review of the development and results of entrepreneurial operations and its position, jointly with a description of the major risks and uncertainties, it is faced with as well as information about the environment and employees if it is necessary in order to understand the development, business performance and market position.

COST BASED ON QUALITY AND ECO-QUALITY PRINCIPLES

<table>
<thead>
<tr>
<th>Tools and sources of environmental costs assessment</th>
<th>Room service and lodgings (service)</th>
<th>Food and beverage (service)</th>
<th>Food and beverage (preparing)</th>
<th>Other hotel services</th>
<th>Non-commercial and administrative services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Records of waste separation</td>
<td>64</td>
<td>82</td>
<td>64</td>
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<tr>
<td>Questionnaire</td>
<td>73</td>
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<td>Budget</td>
<td>73</td>
<td>73</td>
<td>64</td>
<td>27</td>
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<tr>
<td>Reports / statements</td>
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<td>73</td>
<td>64</td>
<td>64</td>
<td>9</td>
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<tr>
<td>Check list of the different departments</td>
<td>69</td>
<td>73</td>
<td>64</td>
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<tr>
<td>Statistics</td>
<td>36</td>
<td>73</td>
<td>64</td>
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<tr>
<td>Environmental protection program</td>
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<td>73</td>
<td>27</td>
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<tr>
<td>Waste grease disposal program</td>
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<td>73</td>
<td>27</td>
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<td>-</td>
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<tr>
<td>Information of safety</td>
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<td>45</td>
<td>64</td>
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<td>-</td>
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<tr>
<td>Research of suppliers</td>
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<td>36</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>Service-express</td>
<td>18</td>
<td>27</td>
<td>18</td>
<td>18</td>
<td>9</td>
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<tr>
<td>Procedures (room service, mini bar...)</td>
<td>-</td>
<td>-</td>
<td>73</td>
<td>18</td>
<td>9</td>
</tr>
<tr>
<td>Programs for guests (animation...)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>55</td>
<td>36</td>
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<tr>
<td>Surveys conducted by travel agencies</td>
<td>73</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Eco - use of bed linens</td>
<td>73</td>
<td></td>
<td></td>
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<tr>
<td>Hotel journal</td>
<td>64</td>
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<tr>
<td>Procedures for hotel operations</td>
<td>-</td>
<td></td>
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</tbody>
</table>
GLOBAL APPROACH

- Sustainability reporting is largely voluntary worldwide.
- Most industrialized countries have long-standing environmental laws that restrict environmental-impact activities and require some form of environmental regulatory reporting.
- Sustainability reporting is better develop in Europe than in US.
- GRI - The Global Reporting Initiative is the globally accepted norm for preparing sustainability reports to be compared among large companies (GRI – G4 Guidelines).
- Sustainability reporting can help a company managers and employees to drive internal change in numerous ways:
  - assess if any sustainability gaps exist;
  - show for a cause or an action;
  - in benchmarking process or in comparison to the best-in-class company;
  - open communication to the share- and stakeholders …
Environmental and social responsibility of Croatian companies

HR BCSD:
The Croatian Business Council for Sustainable Development

- was founded in 1997 as an independent non-profit association
- most of member companies are from the industrial sector (19)
- second important groups are representatives of service industries as tourism, banking and utilities
- others are in small businesses, consulting agencies, expert institutions, environmental NGO, media, private business school ...

(source: http://www.hrpsor.hr)

Sustainability reporting of Croatian companies

- 39 (19%) Croatian listed companies are member of HR BCSD
- 23 (11%) member of HR BSCD disclosed information about sustainability and/or environmental care, in special reports (available on the HRBCS website)
- 11 (5%) of them were disclosed their sustainability report on the web sites of HR BCSD in the last three years
- Volume, manner and character of presented information are not at the level of high quality
- Presented information are not prepared according to the same criteria and not provide comparison between companies
- Presented information are primarily oriented to satisfy formality, and not to be really involved in process of achieving the goals of sustainable development (do not follow the goals National Sustainable Development Strategy)

Recommendations

- Research results indicate that improvements in ensuring source of information for sustainability performance measurement, can be expected especially through:
  - performance measurement should be based on using SBSC (Sustainability Balanced Scorecard) method
  - to rank companies based on their non-financial impacts can be provided through CSR Index (The Corporate Responsibility Index)
- Some activities of HR BCSD indicate that improvements in sustainability reporting can be expected especially through:
  - existing accounting standards for segment reporting (IFRS 8, IPSAS 18, USALI, USFRS ...), should be supplemented with new segment reports, in which will be included information of sustainable development
  - develop some kind of national sustainability reporting standards, based on the model of GRI G4 and EMAS standards (taking into account the functional principle and specific of industry)
  - provide input to the sustainability legislation throughout the business sector

A new type of thinking is essential if mankind is to survive and move toward higher levels. ~ Albert Einstein

THANK YOU !