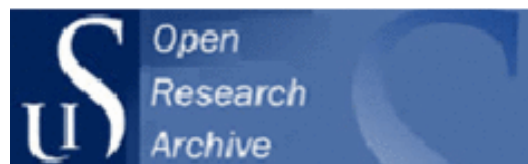




University of  
Stavanger

Olsen, H.S. (2012) Profit Planning for Hospitality and Tourism.  
[Book review]. *Scandinavian Journal of Hospitality and Tourism*,  
12(1), p. 98-99

Link to official URL: DOI:[10.1080/15022250.2012.663976](https://doi.org/10.1080/15022250.2012.663976)  
(Access to content may be restricted)



UiS Brage  
<http://brage.bibsys.no/uis/>

This version is made available in accordance with publisher policies. It is the authors' last version of the article after peer review, usually referred to as postprint. Please cite only the published version using the reference above.



## Profit Planning for Hospitality and Tourism

3rd edition

Peter Harris

Goodfellow Publishers Ltd, 2011

232 pp., Hardback: £65, Euro 78, Paperback: £29.99, Euro 36

ISBN 978-1-906884-21-5

Profit Planning for Hospitality and Tourism is an introductory book in management accounting with a focus on the Hospitality and Tourism (H&T) industry. The purpose of the book is to provide H&T students and professionals with a guide to the application of key managerial accounting techniques in planning, controlling and improving profitability at the business property level. The book emphasizes how to apply managerial accounting techniques in practical, day-to-day, profit management decisions. Revisions to the third edition are the chapter on restructuring and additional new research and development applicable to practitioners in the H&T sector. Major additions include new chapters on the profit and planning framework; Comparing and benchmarking operating results, and customer profitability analysis.

Chapter one gives the reader a perspective of the H&T industry and introduces the reader to the service, production and retail activities in a full-service hotel. The features of H&T business operations are explained in an easy-to-read style. Chapter two is a review of financial statements in the H&T sector, and introduces the reader to the Uniform System of Accounts for the Lodging Industry (USALI) and the Uniform System of Accounts for Restaurants (USAR). The chapter also gives the reader an introduction to cash flow statements. Chapters 3 to 8 give the reader an easy-to-read introduction in management accounting; using ratios, benchmarking, cost behavior and break-even analysis for the H&T industry. In particular, chapter 5 about fixed and variable costs was informative and gave me, as a lecturer in management accounting, knowledge on how this part of the curriculum can be presented. Chapter 5 provides the basis for marginal cost analysis which is widely used in economics, and provides a nice transition to break-even analysis in chapters 6, 7, and 9. Flexible Budgets is well written, but is compressed into no more than 16 pages, the reader is given much information on each page. Chapter 10 gives a fairly thorough introduction to pricing in the H&T sector. Yield Management has become more important in the last decade, and in my opinion this chapter gives the reader a lot of practical advice to yield management. Activity-based costing (ABC) and Balance scorecard is introduced in chapters 12 and 13. The last two chapters deal with investment analysis.

My main impression of Professor Harris' book is that it is well written and provides the reader, in only 232 pages, with an introduction on how to manage a H&T business. This is the book's strength, but paradoxically also its weakness. For a practitioner who works in the H&T industry, the book is a useful reference work and a source of readable and practical information. For the students in H&T the book requires that the student has a lecturer who can provide additional

materials and cases for training. For example, ABC accounting and Balance scorecard is complicated, and to understand the subject in depth demands a lot of study and training beyond the introduction in this book. The same can be said for investment analysis. Students have to have special courses in the subject to be able to use it in practical situations. For example, taxation can make a before tax profitable project unprofitable after tax. On p. 152 is an inconsistency that should be corrected. The author uses an interest rate on debt of 12% p.a. The equity requirement is 10% p.a. The required return depends on risk and the risk of equity is higher than the risk of debt. This is actually the only inconsistency found in the book. The conclusion is that this is a book I would recommend for my students and that it should be in the book shelf of managers in the H&T industry.