

The crucial importance of accounting in tourism business.

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Abstract

In the area of information, all accounting information is established as an essential means for the preservation and exact management of any business economic resources. However, the necessity which issues from the administration, for distinguished management of the available resources, incalculable expenses, limitation and evasion of misconduct, imposes accounting as an aid in the tourism business management effort.

An attempt is being made, via an extended literature review, to approach tourist business and analysing the usefulness of accounting in them. More specifically, this article intends to theoretically investigate the importance of accounting and demarcate its provinces in the contemporary domain of tourism enterprises. The results of this extended literature review indicate that, accounting is a knowledge field, which approaches the shortcomings and recommends realistic solutions in the extremely volatile tumultuous business environment.

Keywords: accounting, tourism business, tourism management.

1. Introduction

The last few decades have been characterized by unparalleled change. Information technology was still in its infancy some thirty years ago; and it is now having an immense impact on all of us private individuals and on all business enterprises. Accounting throughout history industry has undergone a drastic change. Generally speaking, accounting plays a vital role in society. As a branch of economics, it provides information about a firm and its transactions to facilitate resource allocation decisions by users of that information (Choi and Meek, 2005). Through an extended literature review, there will be an attempt to approach theoretically its catalytic contribution to the extremely fluid business environment. The purpose of this paper is to highlight the resulting bunch of benefits that occur as a result of the role that accounting plays in the modern hotel business. Within the framework of this vital role of accounting, this paper is structured in five sections. In the first section, we make reference to the history of accounting. In the second section we analyze the concept of tourism business. Then we mention the characteristics of the hotels business field. In the fourth section, accounting is mentioned as a catalytic element that offers additional value to the modern hotel business. Finally, we analyze the importance and the crucial role of accounting in each field of operation.

2. Accounting history

The turn of the 21st century has witnessed the appearance of a number of papers reflecting on the flourishing state of accounting history and impediments to its future progress.

Accounting history has a long tradition, but in recent years it has expanded its interests and approaches. Accounting history is worthy of study because it puts accounting today into perspective, and may well allow us to draw on the data bank of the past to provide solutions to the problems of the present. It is worthy of teaching as part of the overall cultural formation of future accountants, in particular to stress that "presently acceptable practices of accounting have not been immutable over the decades and centuries of environmental change" (Committee on Accounting History, 1970, p. 55).

Accounting historians have long been conscious that a full understanding of accounting's past needs to embrace international dimensions (Parker, 1971; Carnegie and Napier, 1996).

Accounting reports presently focus upon providing information for economic decision making (SAC 2, 1990) in support of the current political paradigm of economic growth and development.

Solomons (1991) describes accounting as being like a telephone - a neutral medium that promotes the exchange of information between the enterprise and the user; and while it is not an actor in the exchange, it is important that accounting measures be representationally faithful.

Like any social phenomenon, accounting presents a "historically and geographically localised result" (Miller and Napier, 1993), but that does not imply that accounting should be viewed in isolation at a particular point of space or time. Just as international accounting

aims to situate local accounting practices of today within a comparative framework across space, so country-based histories of accounting attempt the same process across time. In their prospectus for accounting history into the twenty-first century, Carnegie and Napier (1996) proposed the notion of "comparative international accounting history" (CIAH). This research field is not entirely unexplored. However, its expansion can assist in generating "a focus on examining and explaining cross-national differences in accounting development" (Carnegie and Napier, 1996).

Recent years have witnessed an explosion in the academic literature of accounting history throughout the world. This growth has manifested itself not just in the number of publications but in the topics examined, research approaches adopted, and range of theoretical perspectives applied to the study of accounting through its history (Carnegie and Napier, 1996). Early literature of accounting history that sought to glorify the practice of accounting and the status of accountants has been supplemented first by a more utilitarian approach viewing the past as a "database for enhancing understanding of contemporary practice and for identifying past accounting solutions that might be relevant to current problems, and then by a more critical approach, which seeks to understand accounting's past through the perspective of a range of social and political theories.

Accounting concepts, techniques and institutions have been diffused through both space and time (Carnegie and Napier, 2002).

Based on an admittedly limited population of English language papers appearing from 1996 to 1999 in the specialist accounting history journals, Carnegie and Potter (2000) concluded that their analysis indicates "the existence of a relatively insular international accounting history research community dominated by a small number of institutions and authors". Carnegie and Potter contended that accounting history authors seldom engage in cross-border collaborative research and display a limited tendency to venture beyond core themes and the modern period. A subsequent study of the sex distribution of authors in the same journals revealed, unsurprisingly, that authorship and editorial board membership in accounting history is male-dominated (Carnegie et al, 2003). Furthermore, Edwards (2004) broader review of the accounting history literature identified concerns about areas of fading interest, publication media and the dissemination of research findings.

Fleischman and Radcliffe's (2005) celebration of the advance of accounting history during "the roaring nineties" is tempered by fears of its quiet demise in the United States. It takes accounting to be a translucent medium which presents factual data to the world about an enterprise's financial transactions and economic events. A good accounting is deemed to be one that represents the entity in a way that users recognize as commonsensical (Macintosh and Baker, 2002).

3. The concept of tourism business

The concept of tourism business emerged in the light of the 20th century. A lot of researchers try to define the concept of tourism. Kaspar (1976) fixes the tourism as the total of relations and events that arise from the travel and the eve of individuals, when the place

of stay is neither the initial and permanent residence nor the usual place of work. Finally, according to Monique Dacharry the tourism owes to be delimited in its historical prospect.

In "the age of service competition" (Grönroos, 1994) that is depicted by international hospitality and tourism, the customer reigns supreme. Such is the power of customers that the term "service management" is increasingly used to emphasise management imperatives in this age of service competition and market forces. To remain competitive therefore, hospitality and tourism providers must continue to meet if not exceed customer expectations that are themselves dynamic (Atkinson, 2000). Travel and tourism encompassing transport, accommodations, catering, recreation and services for travellers - is the world's largest industry. A properly planned, developed and controlled tourism industry will positively affect the society and the economy. Enrichment of the tourism industry with national characteristics is vital for a healthy development of tourism (Jayawardena, 1993).

The tourism and hospitality industries are crucial to the success of the Greek economy. Tourism has outperformed most other sectors and contributed significantly to economic and employment growth (Harrington and Lenehan, 1998).

The tourism industry has many of the characteristics of a competitive market: there are few barriers to entry into the market; it is a truly global market with few unnatural barriers to trade; there are a large number of firms; and prices are set on the basis of market expectations.

4. The hotel business

Internationalization has become a key research theme in the study of the hospitality industry and its constituents (Burgess, Hampton, Price and Roper, 1995; Clifton and Johnson, 1994; Litteljohn and Beattie, 1992; Teare and Olsen, 1992). The hotel industry has formed the focus for many of these investigations which provide valuable insights into the pressures and pitfalls of operating in this highly competitive sector.

Like its domestic counterpart, the international hotel industry competes via the placement of its units in significant and appropriate locations. Furthermore, there are many proponents who now identify the industry as competing on global terms (Crawford-Welch, 1991; Olsen, 1992; Schlenrich, 1993). Tse and West (1992) provide persuasive reasoning when they indicate that a firm competes on global terms where its competitive position in one country is significantly influenced by its position in other countries

5. The importance of accounting in hotel business

Internationalization has become a key research theme in the study of the hospitality industry and its constituents (Burgess, Hampton, Price and Roper, 1995; Clifton and Johnson, 1994; Litteljohn and Beattie, 1992; Teare and Olsen, 1992). Recall that accounting entails several broad processes:

- *Measurement* is the process of identifying and quantifying economic activities. These measurements provide insights into the

profitability of a firm's operations and the strength of its financial position.

- *Disclosure* is the process by which accounting measurements communicated to their intended users.
- *Auditing* is the process by which specialized accounting professionals attest to the reliability of the measurement and communication process.

The service of accounting procedure is considered to be the security belt of the business for avoiding either the involuntary or the intentional release of information concerning any form of useful first hand stock as well as the avoidance of loss of income from misuse or from any errors in operation (Karagiorgos and Papadopoulos, 2003).

Within this framework, accounting plays a vital role in the verification of incomings and expenditure per field of operation in the hotel business. By the term 'fields of operation' of a hotel we mean those sections of the hotel in which the production procedure of the tourist goods and services as well as their availability takes place with the purpose of achieving profit.

The main fields of utilization within a modern hotel unit are:

- the bedrooms
- the bar
- the buffet
- the restaurant

A lot of researchers argue that all these fields of operation are the most essential centers of earnings and cost and accounting plays a vital role in them (Lekaratou and Nizami, 1994).

Furthermore, accounting includes those actions taken that relate to the funding of the hotel unit, that is, with the capital which is necessary for its smooth running. The danger of the lost capitals and the credit danger appear to be the determining factors from its viability.

Within the framework of limiting the danger of correct constitution of financial affairs, the following actions are in effect:

- Controls of the procedures, whereby a check is held to ensure whether the investments are always in accordance with the approved investment policy.
- Controls of the evaluations, whereby the cost of the investments with the running values is mainly compared as well as a check of the "deposits" and the "loans".
- Controls of the availabilities, the bank deposits and loans, during which their frequent update and the confirmation of other ones is necessary.

From the above mentioned it is clear that accounting enables the hotel management to examine whether the right strategic of financial management is followed. Finally, accounting is essential in the correct valuation of mergers and acquisitions. Unfortunately, based on researchers hotel companies do not fully utilize accounting information to assess the value of merger and acquisition, which is increasing to improve international competitiveness. The neglect of

accounting information in merger and acquisitions leads to inappropriate evaluation of its value in markets (Jeon et al., 2003)

6. Summary and Conclusions

All auditing information is established as an essential mean for the exact management of any business economic resources. Accounting moves in a greater scope of management philosophy and of practical application, and adds up value, offering at the same time a systematic scientific approach on the assessment and the improvement of the effectiveness of the hotel businesses. Within the framework of modern business world, the role of accounting procedure is catalytic since it is regarded as a source from which core abilities are subsequently transformed into competitive advantages. From the above it is clear, that accounting is catalytic to the location of the weaknesses in management, to the prevention and the suppression of unexpected events and finally imposes accounting as a priceless support in the hotel business management effort.

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