

# Shangri-la hotels and landmarks berhad (malaysia)

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For the hospitality industry, the average revenue they earn through their continued operations within year 2007 to year 2009 increased in year 2008 and then decline in year 2009. The reason revenue decline in year 2009 is probably is the side effect of the bad economy during end of year 2008. For Landmarks Berhad, their business decline for three years continuously. This shows that their management level is not done their job perfectly.

The average revenue for year 2008 should be higher than the previous year; this is happened on the Shangri-La Hotels but not on Landmarks Berhad. They could use the bad situation of our economy as the main reason for the decline in revenue for year 2009 but not for year 2008. Besides that, when we look at the average liquidity of hospitality industry, their average should be around 1.5 or less since the largest inventories held by a hotel are in the form of guest rooms, and these are included under property, plant and equipment which is a part of fixed assets.

Therefore hotels can operate with a liquidity ratio less than 1.5. Creditors might prefer to see a high ratio of current assets to liabilities since it provides a positive indicator of that particular company's capability to repay its debt obligations. However for the owner of the company in hospitality industry, a high ratio in liquidity may indicate that more money is being tied up in working capital and is not used nicely.

Generally the owner of a hotel company will try to maintain the current ratio which is at the acceptable to ownership and creditors. Furthermore, when we look at the activity ratio, Landmarks berhad's average collection period and average payment period is much higher than Shangri-La Hotels; and the

inventory turnover ratio shows that Landmarks is not being used their total asset effectively. These show that the risk taking by the company operation is higher as well.

May be we can't deny that the earnings of Landmarks Berhad in year 2007 is very higher compare to the average revenue of Shangri-La Hotels, but majority of the earnings of Landmarks Berhad in year 2007 were earned by sold their current asset (total asset held for sale) from discontinued operations. The average revenue of Landmarks Berhad gained from sale was actually much lower than the average compared to the Shangri-La Hotels. This shows that their return is very unstable compared to the Shangri-La Hotels. Thus, we could suggest that Shangri-La Hotels (M) Berhad is the best company compared to Landmarks Berhad.