Hospitality operation appraisal - selected hospitality business: hotel pullman lo...

Finance

Pullman Hotel London, St. Pancras Pullman Hotel London, St. Pancras According to Accor , the Pullman Hotels are luxury brand under the umbrella of ACCOR Company that has a portfolio of many hotel brands ranging from economy class to upscale. The Ibis, Sebel, Sofitel brands are among the hotel chains in Accor's portfolio. The Pullman Hotel chain is among the five upscale hotel brands in Accor's diverse portfolio. Pullman Hotel brand is world renown and respected globally and has received a series of awards over the years. Among the awards include, ' The World's Leading Island Resort' which was awarded to Pullman Timi Ama. Both Accor and Pullman Hotels have experienced an upward trend in financial performance over the last 5 years having experienced the peak in the 2014 financial year (Accor, 2014, n. p). The trend analysis of the profit margin indicates the growth. Hotel Pullman London ST. Pancras is a four star hotel within the 93 Pullman Hotels spread across the world and is one of the major extravagance hotels in London. Assuming Accor Company uses traditional form of budgeting technique; the budget used in 2014 is similar to the 2013 financial statement results. Therefore, we will use the 2013 cost as the assumed budget costs in the variance analysis. According to Accor (2014), 77% of all the hotels under ACCOR are in Europe, whereas only 5% of the hotel brands are upscale. There are 5 upscale hotels in Accor's portfolio so Pullman Hotel attributes for 20% of their revenue and costs. As a result, the ACCOR annual financial statements will be used for the financial data appraisal of Hotel Pullman. Therefore, to get the actual costs attributable to Hotel Pullman London St. Pancral, all cost shall be multiplied by: 77%*5%*0. 2*(1/93). The Variance analysis for Pullman's Hotel indicated favourable performance for the Hotel.

In the Income statement, there were positive variances for all costs except gains on management and of assets (Bititci, 2000, 692-704). However, the variances were small indicating that the level of production or service delivery remained constant between the two years. The decrease in operating expense could indicate higher levels of efficiency and elimination of unnecessary costs. The increase in revenue while there is a decrease in operating costs may indicate there was better service delivery at lower costs (Gates, 1999, n. p). In addition, the actual profit was over 75% higher than budgeted profits. The Statement of Financial position highlights the immense loss of over 4, 056 Euros. All the information is found in the second Power Point Slide. In addition, the Statement of Financial position also displays favourable variances for Total Assets and Liabilities. The positive variances in the non-current assets indicate the acquisition of property, plant and equipment as well as intangible assets. The decrease in closing inventory indicates the slight increase in level of production (Eccles, 1991, n. p). Also, the increase in cash and cash equivalence indicates the favourable liquidity levels of the company. Finally, the Gross, Operating and Net profit margin table indicates the positive variances of the margins despite the variances being very slight. All the information is found in the third and fourth Power Point Slide. The ratio analysis also indicates the favourable performance for the London Pullman Hotel. The current ratio has increased from 1. 25 to 1. 89 indicating higher liquidity levels. The creditor’s turnover has increased tremendously indicating the company’s high ability in paying off their trade payables within a short period of time. In addition, the debt ratio has decrease indicating that the company has used less of debt to finance their operations. The ROI and ROCE have increased indicating the increased efficiency with which the hotel uses their assets. ConclusionFrom the analysis, we find out that that the London Pullman Hotel is performing relatively well having experienced a rise in revenue, profits and a decrease in operating expenses. The purchase of more assets could lead to increase in services; therefore increase in expected revenue (Kaplan, 1989, 178). However, the increase in liquidity levels could have unfavourable long-term effects due to lack of short term investments for financing. Also, the increase in trade payables could be the reason for increased liquidity in the company. Therefore, the liquidity levels will be adversely affected when term to maturity of the short term debts reaches. In conclusion, Hotel Pullman London has performed well and the good performance is expected to prevail over the years. RecommendationsHotel Pullman should maximise on the newly bought assets to increase service production and continue with the upward trend in profit margins. Secondly, they should try and reduce their liquidity levels by venturing into short term investments and also reduce credit purchases (Dixon et al, 1990, n. p). Thirdly, the hotel should try giving offers that are economical so as to diversify their customer base and hence increase their demand. BibliographyAccor. 2014. Accor-Consolidated Financial Statements and Notes. http://www. accor. com/fileadmin/user_upload/Contenus_Accor/Finance/PDF/2015/UK/plaquette_gb_accor_groupe_2014. 12. pdf. Accessed on 5th May 2015Gala Hotels. 2014. Pullman London St. Pancras Hotel. http://www. accor. com/en/finance/financial-library/annual-and-half-yearly-information. html Accessed on 5th May 2015Accor. 2011. Accor New frontier in Hospitality.

http://www. accor. com/fileadmin/user_upload/Contenus_Accor/Finance/Documentation/2012/EN/2011_annual_report. pdf Accessed on 5th May 2015Bititci, U. S., Turner, T. and Begemann, C. (2000), ``Dynamics of performance measurement systems'', International Journal of Operations & Production Management, Vol. 20 No. 6, pp. 692-704. Bourne, M., Mills, J., Wilcox, M., Neely, A. and Platts, K. (2000), ``Designing, implementing and updating performance measurement systems'', International Journal of Operations & Production Management, Vol. 20 No. 7, pp. 754-71. Bruns, W. (1998), ``Profit as a performance measure: powerful concept, insufficient measure'', Performance Measurement – Theory and Practice: the First International Conference on Performance Measurement, Cambridge, July, pp. 14-17, Dixon, J. R., Nanni, A. J. and Vollmann, T. E. (1990), The New Performance Challenge – Measuring Operations for World-Class Competition, Dow Jones-Irwin, Homewood, IL. Eccles, R. G. (1991), ``The performance measurement manifesto'', Harvard Business Review, January-February, pp. 131-7. Hayes, R. H. and Abernathy, W. J. (1980), ``Managing our way to economic decline'', Harvard Business Review, July-August, pp. 67-77. Gates, S. (1999), Aligning Strategic Performance Measures and Results, The Conference Board, New York, NY. Ghalayini, A. M. and Noble, J. S. (1996), ``The changing basis of performance measurement'', International Journal of Operations & Production Management, Vol. 16 No. 8, pp. 63-80. Johnson, H. T. and Kaplan, R. S. (1987), Relevance Lost – The Rise and Fall of Management Accounting, Harvard Business School Press, Boston, MA. Kaplan, R. S. (1986), ``Accounting lag – the obsolescence of cost accounting systems'', California Management Review, Vol. 28 No. 2, pp. 174-99.