



# Suitability of conventional management accounting practices to small and medium enterprises operating in the hotel sector of the Cape Metropole

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## Abstract

Underperformance of Small and Medium Enterprises (SMEs) operating in hotel sector has partly been attributed to their failure to adopt suitable Conventional Management Accounting Practices (CMAPs), given the lack of awareness of which of these tools are suitable to these entities. The broad aim of this research was to assess the management accounting information needs of SMEs operating in the hotel sector of the Cape Metropole and determine the CMAPs that are suitable for these entities. Data was collected from 100 SMEs using a questionnaire survey and analysed using descriptive and inferential statistics. The findings of the study revealed that the sampled SMEs needed accounting information for various purposes. Key among these were for: analysing risks and uncertainty, optimising utilisation of scarce resources, obtaining accurate data on costs, determining the break-even point, planning for sudden unexpected changes, minimising inventory wastages, assessing profitability of each service rendered and each customer, and planning for revenues and costs, among others. The findings of the study also revealed that most CMAPs were perceived to be suitable to most of the sampled SMEs. However, budgeting was perceived to be the most suitable CMAP for the SMEs, followed by forecasting, Cost, Volume and Profit (CVP) analysis, then variance analysis, followed by industry competitor analysis, financial and non-financial performance measurement techniques, ordering of optimal inventory and capital budgeting approaches. Other CMAPs perceived to be suitable to the SMEs were: cost plus pricing techniques, cost management and control techniques, theory of constraints, real time performance indicator dash boards, just in time system, working capital management techniques and what if analysis. This study not only fills in the gap in the literature on CMAPs that are deemed to be suitable for SMEs, but also invaluable insights on the management accounting information needs of these entities, which could be used to inform future government interventions meant to improve the performance of these entities. The findings may also aid SMEs to compare their own CMAPs to the ones deemed to be most suitable to these entities with a view to adopt the best of the practices.

**Keywords:** CMAPs, Suitability, SMEs

## Introduction

To obtain and maintain a competitive advantage over their smaller counterparts, large five-star hotels have adopted CMAPs that provide the information required for effective decision-making (Arroteia, Santos & Gomes, 2013). Key among the practices adopted are forecasting, budgeting and variance analysis, cost, volume and profit analysis, pricing and revenue techniques, capital budgeting approaches, financial and non-financial performance measurement, cost management and control techniques, working capital management, ratio



analysis of departmental financial statements, bench marking and responsibility accounting (Yang, 2014). As a result of adopting the above practices, large hotels have consistently outperformed their smaller counterparts (Avci, Madanoglu, & Okumus, 2011). By contrast, the mid-tier and budget hotels that operate as SMEs, have continued to rely on out-dated practices such making decisions based on managers gut feeling, rules of thumb, personal whims, trial and error techniques, which are inappropriate in an increasingly competitive environment as they result in haphazard, chaotic and ineffective decisions (Maduekwe, 2015).

Unlike the above outdated techniques, CMAPs provide accurate and timely financial and statistical information required by hotel managers to make day-to-day and other short-term decisions (Matembele, 2014). In addition, CMAPs provide insightful and user-friendly accounting information for supporting strategic long-term decisions. They do so by providing tools for identifying, evaluating and exploiting business and investment opportunities. Furthermore, CMAPs aid businesses to achieve their strategic goals such as profit maximisation by providing tools for: planning for the future, evaluating and controlling performance by identifying and correcting poor performance, as well as ensuring effective, efficient and optimal utilisation of scarce resources. Additionally, CMAPs provide managers with tools for solving complex problems that undermine the future viability of their businesses. CMAPs also avail tools such as budgets, which provide future-oriented information that aids in controlling the performance of highlighting areas in which actual performance deviates from the expected performance, thus enabling appropriate corrective actions to be taken before it is too late (Anohene, 2011).

CMAPs also provide tools that facilitate the organisation coordination and alignment of different departments within a hotel towards shared objectives (John, 2008). More importantly, given that SMEs in general typically lack a success track record, collateral or both, they are perceived as high-risk ventures by lenders and investors (Mutezo, 2015). They, thus, need convincing business plans to raise capital (Abdulsaleh & Worthington, 2013). CMAPs, particularly forecasting and budgeting can enable these entities to prepare a coherent and realistic business plan in order to secure capital (Abogun & Fagbemi, 2012). These practices also enable hotels, in particular, to improve profitability through pricing and revenue management by selling the right product at the right price to the right customer at the right time (Olatunji, 2013). By so doing, the hotels are able to maximise their revenue and profitability by targeting profitable customers through loyalty programmes, offering deals, discounts and packages, with an aim of achieving 100% occupancy rates (Wirtz, Kimes, Theng & Patterson, 2003).

CMAPs are also important to the hotel sector as they facilitate an assessment of whether it is profitable to operate in any particular segment of the sector or not (relevant costing) (Pavlatos, 2011). In addition, they aid hotels to compare their actual costs against set standard costs (standard costing), facilitate the determination of the optimal quantity of perishables to order (inventory control) and aid in appraising mutually exclusive investment projects that a hotel intends to undertake (capital budgeting).

Notwithstanding the above-mentioned potential advantages of CMAPs to hotels of all sizes, little evidence exists to suggest that SMEs operating in the hotel sector in South Africa are embracing these practices (Brijlal, Enow. & Isaacs, 2014; Mjongwana. & Kamala, 2018). Anecdotal evidence suggests that these entities rely on outdated techniques such as gut feeling, rules of thumb, and personal whims, trial and error techniques, which result in wrong, costly and often irreversible decisions, an aspect that has ceded their competitive advantage to their larger counterparts (Maduekwe, 2015).

Although the adoption of CMAPs by SMEs operating in the hotel sector has been researched extensively in other countries, little has been done in South Africa. The few studies that have



investigated the adoption of these practices have focused on large organisations, typically operating in the manufacturing sector (Poore, 2007).

This article attempts to fill in the gap in the prior literature by assessing the management accounting information needs of SMEs operating in the hotel sector of the Cape Metropole and determining the CMAPs that are suitable for these entities.

### **Literature review**

Prior studies conducted on management accounting information needs of SMEs operating in the hotel sector and the suitability of CMAPs to these entities operating in South Africa. For this reason, this section reviews some of the features of SME hotels that make CMAPs suitable for the sector as well as the reasons why CMAPs are suitable these entities.

### **Features of SMEs operating in the hotel sector that make CMAPs suitable**

SMEs operating as hotel sector are increasingly divided into various departments that offer a wide range of services ranging from administration, food and beverage, guest laundry, fitness centres, property maintenance, rooms, swimming pool and so on, all of which can be divided into responsibility centres, headed by managers (Lee, 2000). Such an arrangement requires the use of CMAPs for management control by measuring and evaluating the performance of each responsibility centres within a business. By using CMAPs, individual managers are held accountable for the performance of the business segments under their control (Fowzai, 2011). In so doing, CMAPs do not only provide useful information for evaluating the performance of the managers at each level, they also aid in detecting areas of weaknesses in a hotel that need to be addressed promptly before it is too late, an aspect that can improve the overall business performance (Henri, 2004). In addition, CMAPs can facilitate control even as the hotels expand or grow (PWC, 2014; Mbasera, 2015). Furthermore, given that hotel services are not inventoriable, any unsold bed and food causes loss of revenue. Thus, strict control of the costs of services and general expenses is vital in the hotel sector. CMAPs also enable hotel managers to compare the actual amounts incurred/earned against the budgeted amounts based on the responsibility centers (Hoisington, 2017).

The hotel sector has some unique attributes that make the management accounting information needed by managers of these entities to be different from that needed in other sectors (Mia & Patiar, 2001). These attributes include: intense direct and indirect competition, high volatility in demand that is influenced by the time of day, day of week and season, which result in highly irregular variable operating costs combined with equally high fixed costs. In addition, the sector does not only deal in perishable products, it also caters for heterogeneous clients and, thus, is compelled to render diverse services (Downie, 1997). Indeed, the main product of hotels, which is room space, is highly perishable because if not sold on any day, it is lost forever. Furthermore, the service that hotels provide is inseparable from the delivery of the same.

### **Reasons why CMAPs are suitable for SMEs operating in the hotel sector**

CMAPs are suitable for SMEs operating in the hotel sector as they can assist the decision-makers of these entities to make informed decisions. CMAPs do not only provide accurate and timely financial and statistical information required by hotel managers to make day-to-day and other short-term decisions (Matambele, 2014), these practices also provide insightful and user friendly accounting information for supporting strategic long-term decisions. They do so by providing tools for identifying, evaluating and exploiting business and investment opportunities.



In addition, CMAPs can aid hotels to achieve their strategic goals such as profit maximisation by providing tools for: planning for the future, evaluating and controlling performance by identifying and correcting poor performance, as well as ensuring effective, efficient and optimal utilisation of scarce resources (Karim, 2011). Furthermore, CMAPs can provide decision-makers of hotels with tools for solving complex problems that undermine the future viability of their businesses. These tools include budgets which provide future-oriented information that aids in controlling the performance of a hotel, by highlighting areas in which actual performance deviates from the expected performance, thus enabling an appropriate corrective action to be taken before it is too late (Anohene, 2011). CMAPs can also provide tools that facilitate organisation coordination and alignment of different departments within a hotel towards shared objectives (Matembele, 2014). More importantly, given that SMEs in general typically lack a success track record, collateral or both, they are perceived as high-risk ventures by lenders and investors (Ramlee & Berma, 2013). They thus need convincing business plans to raise capital (Abdulsaleh & Worthington, 2013). CMAPs, particularly, forecasting and budgeting can enable SMEs operating in the hotel sector to prepare a coherent and realistic business plan in order to secure capital (Abogun & Fagbemi, 2012).

CMAPs also enable hotels to improve profitability through pricing and revenue management by selling the right product at the right price to the right customer at the right time (Olatunji, 2013). By so doing, the hotels are able to maximise their revenue and profitability by targeting profitable customers through loyalty programs, offering deals, discounts and packages, with an aim of achieving 100% occupancy rates (Wirtz & Patterson, 2003). Given that hotel services are increasingly divided into various departments managed by departmental managers, CMAPs, particularly the responsibility accounting system, can play an important management control role as it is designed to measure and evaluate the performance of each responsibility centre within a business (Fowzai, 2011). It does so by providing useful information for evaluating the performance of the managers at each level and aiding in detection of areas of weaknesses in a hotel promptly before it is too late, an aspect that can improve the overall business performance (Henri, 2004). In addition, the responsibility accounting system facilitates control, which is typically lost as hotels expand in size (PWC, 2014; Mbasera, 2015).

CMAPs are further suitable to SMEs operating in the hotel sector as they facilitate an assessment of whether it is profitable to operate in any particular segment of the sector or not (relevant costing) (Pavlatos, 2011). In addition, they aid hotels to compare their actual costs against set standard costs (standard costing), facilitate the determination of the optimal quantity of perishables to order (inventory control); and aid in appraising mutually exclusive investment projects that a hotel intends to undertake (capital budgeting) (Policy, 2008).

## **Methodology**

A self-administered and closed-ended questionnaire survey was employed to collect data from representatives of the SMEs. Both descriptive and inferential statistics was employed to analyse the data collected from the questionnaire. Given that the population of SMEs operating in the hotel sector of the Cape Metropole is unknown, target sample size of 100 hotels was set as a similar sample size has been used successfully in other similar studies (Maduekwe, 2015; Bruwer, 2010:30). Accordingly, 100 representatives of SMEs were included in the sample as sampling units. These comprised owners, managers and accountants all who were deemed to be the decision-makers of SMEs and thus were expected to be familiar with the management accounting information needs of their SMEs and the suitability of CMAPs to these entities. To draw the sample, purposive sampling was used. The technique was deemed to be suitable for this study as it entails drawing a sample from that part of the population that has the attributes that serves the purpose of a study (Bruwer 2010:30; Maduekwe, 2015).

## **Response rate and test for non-response bias**



As already alluded to, a target sample of 100 SMEs was set as the population of all SMEs operating in the hotel sector of Cape Metropole is unknown. To meet this target, the researcher hand-delivered 150 questionnaires to SMEs in the hotel sector in Cape Metropole using purposeful sampling technique. Out of the 150 questionnaires distributed, only 100 were returned as 15 of the potential respondents declined to complete the questionnaire although they had consented to do so. Another 35 questionnaires had been misplaced by the hotel staff due to the changes in work shifts associated with the hotel sector. Therefore, out of the 150 questionnaires distributed, the researcher managed to collect 100 completed questionnaires, resulting in a response rate of 67%.

## Results and discussions

### Respondents' personal and business profile

The respondents were asked to provide information on their personal profiles relating to their position in the business, tenure in the current position, highest level of education, and whether the highest level of education was accounting related. The business profile information requested included: length of time that the business has been operating, number of employees, and number of rooms in the hotel. This information was meant to ensure that only the appropriate respondents are selected to participate in the survey and that those selected have different characteristics to minimise non-response bias.

With regard to respondents' position in their business, 39% were managers, 24% were owners, while another 24% were both owners and managers. Only 13% of respondents were accountants (see Table 1). The results thus show that only the targeted decision-makers of SMEs participated in the survey. Concerning the number of years that the respondents had been in their current position, 39% of the respondents had been in their current position for between one and five years, 27% between six and 10 years, while 25% had been in their position for more than 10 years. Only 9% had been in their current position for less than one year. These results suggest that 52% of the respondents had more than six years of experience in their respective positions and thus were expected to be knowledgeable about the operations of their business.

As far as how long the respondents' businesses had been operating is concerned, the results indicated that 35% of the businesses had been operating for more than 10 years (see Table 1), 31% had been operating for between one and five years, while 25% had been operating for between six and 10 years. Only 9% had been operating for less than one year. The above results suggest that 60% of the businesses had been operating for more than 6 years and thus should have been in a position to determine their management accounting information needs as well as the suitability of various CMAPs for their businesses. Regarding highest level of education, the results revealed that 57% of the respondents had a diploma (see Table 1), while 26% had a bachelor's degree. Of the respondents, 8% had a matric qualification, while 7% had attended short courses. Only 2% had a master's degree. Based on these results, most of the respondents (85%) had at least a diploma qualification, which means that they were well educated thus should have been in a position to competently complete the questionnaire.

With regard to whether the highest level of qualification was accounting related, 50% indicated their qualification was accounting related, while 50% of the respondents' indicated that their highest level of education was not accounting related (see Table 1). Although half of the respondents' highest level of education was not accounting related, the other half of the respondents had accounting related qualifications and thus should have been familiar with the CMAPs.



In relation to the number of employees of the sampled SMEs, the results indicated that 44% of the businesses had 11 to 20 employees, while 22% indicated that their businesses had 6 to 10 employees. Of the respondents, 13% indicated that their hotels had 21 to 50 employees, while 12% indicated that their businesses had 1 to 5 employees. Only 9% of the respondents indicated that their businesses had 51 to 100 employees. Therefore, 88% of the sampled businesses can be classified as SMEs (with more than 5 employees but less than 100 employees), thus were the suitable participants for this study. As far as the number of rooms is concerned, the results indicated that 99% of the businesses had less than 100 rooms. Only 1% of the respondents indicated that their businesses had 100 to 300 rooms.

**Table 1. Respondents' personal and business profile**

	Number of respondents	Percentage
Position in the business		
Owner	24	24
Manager	39	39
Owner and manager	24	24
Accountant	13	13
Respondents years of experience		
Less than 1 year	9	9
1-5 years	39	39
6-10 years	27	27
Above 10 years	25	25
How long has the business been in existence		
Less than 1 year	9	9
1-5 years	31	31
6-10 years	25	25
Above 10 years	35	35
Respondents highest level of education		
Matric	8	8
Short course	7	7
Diploma	57	57
Bachelor/Degree	26	26
Masters	2	2
Whether highest qualification was accounting related		
Yes	50	50
No	50	50
Number of employees		
1-5	12	12
6-10	22	22
11-20	44	44
21-50	13	13
51-100	9	9
Number of rooms		
Less than 100	99	99
100-300	1	1

(Source: Own source)

The above personal profile of respondents and that of their SMEs suggests that a heterogeneous group of respondents had been selected to participate in this study as the respondents held different positions, had different levels of qualification, different academic background and worked in varied sizes of hotels. Accordingly, one can conclude that respondents of different persuasions had answered the questionnaire. This, alongside the high response rate of 67%, suggests that non-response bias, which is typically associated with questionnaire surveys had been minimised.



## Management accounting information needs of the sampled SMEs

Respondents were asked to indicate to what extent do they agree with 26 statements regarding the management accounting information needs of their SMEs. Response was requested on a five-point Likert scale with weightings of one for strongly disagree, two for disagree, three for neither agree nor disagree, four for agree and five for strongly agree. Accordingly, the closer the mean was to five, the more the respondents agreed with the statement.

For the sake of clarity, the percentages of those that either strongly agreed or agreed with the statements were added together and reported as “percentage that agree with the statement” as shown in the second column of Table 2. In addition, those who neither agreed nor disagreed were reported as disagreeing with the statement as these words suggest a lack of a clear stand. This approach is justified as it ensured that only those who indicated that they strongly agree or agree with the statements are reported as such, and it has been used successfully in similar prior studies (Mjongwana, 2017).

As indicated in Table 2 below, most respondents indicated that their business needs accounting information to analyse its risks and uncertainty (71%). A majority of respondents also indicated that their business increasingly needs to optimise on its utilisation of scarce resources (70%), and that their business needs accurate data on costs of various products (69%). Of the sampled respondents, 69% indicated that determination of the break-even point is important for the management of their businesses; a similar percentage indicated that their business prepares budgets that are flexible to accommodate sudden unexpected changes.

Most respondents also indicated that their business needs accounting information to minimise inventory wastages (68%) and that managers of their hotels are increasingly interested in the profitability of each service rendered (65%). Likewise, most indicated that managers of their hotels are increasingly interested in the profitability of each customer (64%) and that their businesses need projected numbers to plan for revenues and costs (63%).

Of the sampled respondents, most indicated that their business offers variety of services due to diverse needs of its clients (62%), and that the managers of their hotels needs accurate accounting data for benchmarking against competitors (61%). A similar percentage to the latter indicated that the accounting information that the management is using meets its needs (61%), and that their management is increasingly relying on accurate and timely accounting and statistical information to make day-to-day decisions (61%). In short, all 26 statements pertaining to suitability of CMAPs to SMEs operating in the hotel sector were agreed to by at least 50% of the respondents, albeit to a varying extent.

This means reported more or less echoed the results portrayed by the percentages. The standard deviations of less than one for all 26 statements indicate an agreement in the responses of the respondents. In sum, given that at least 50% of the respondents agreed with all the 26 statements meant to assess the management accounting information needs of the SMEs operating in the hotel sector, one can conclude that the sampled SMEs need CMAPs as it is these tools that provide the information required, and are thus deemed to be suitable for SMEs.

The above results are consistent with those of Legaspi (2018) who found that CMAPs were suitable for SMEs operating in the hotel sector. The above results however contrast those of Santos's *et al.*'s (2012) who found that CMAPs were unsuitable for these entities. The reason for disparity in results is that Santos's *et al.*'s (2012) study was conducted more than eight years ago, among both large and small hotels, in Portugal, while the current study sampled SMEs.



**Table 2. Statements for assessing management accounting information needs of SMEs**

CMAPs	Percentage that agree with the statement	Respondents	Standard deviation
		N = 100	
	Agree	Mean	
i. The business needs accurate data on costs of various products	69%	3.77	.763
ii. The costs of the various services offered by the business have increased dramatically	59%	3.53	.784
iii. The costs of our products vary significantly depending on the season of the business	58%	3.53	.881
iv. The business needs projected numbers to plan for its revenues and costs	63%	3.61	.815
v. Costs of providing services are increasingly getting out of control	55%	3.47	.771
vi. The business is divided into various cost centers that are increasingly difficult to track	49%	3.38	.749
vii. Managers are increasingly interested in the profitability of each section of the business	60%	3.63	.747
viii. Managers are increasingly interested in the profitability of each service rendered	65%	3.74	.676
ix. The profitability of some of the business' services is questionable given the complexity of the processes required to manufacture them yet they appear to be lowly priced	60%	3.62	.693
x. Managers are increasingly interested in the profitability of each customer	64%	3.60	.778
xi. The managers need accurate accounting data for benchmarking against competitors	61%	3.60	.739
xii. The managers are increasingly using both financial and non-financial information when making decisions	58%	3.64	.659
xiii. The management is increasingly interested in the relationship between cost, volume and profitability of the business' products	54%	3.55	.783
xiv. Investment decisions are only made if justified by accounting data	50%	3.45	.757
xv. The business needs long range forecasts for long-run planning	57%	3.58	.806
xvi. The accounting information that the management is using meets its needs	61%	3.71	.729
xvii. Determination of the break-even point is important for the management	69%	3.75	.657
xviii. The business prepares budgets that are flexible to accommodate sudden unexpected changes	69%	3.74	.613
xix. The business needs accounting information to minimise inventory wastages	68%	3.76	.622
xx. The business increasingly needs to optimise on its utilisation of scarce resources	70%	3.78	.645



xxi.	The business needs accounting information to analyse its risks and uncertainty	71%	3.78	.719
xxii.	The management is increasingly relying on accurate and timely accounting and statistical information to make day-to-day decisions	61%	3.67	.753
xxiii.	The business has a high volatility in demand and a fixed costs structure	60%	3.59	.653
xxiv.	The business has Excess or shortage of perishable inventory	52%	3.52	.759
xxv.	The business is increasingly experiencing intense competition	52%	3.57	.807
xxvi.	The business offers variety of services due to diverse needs of its clients	62%	3.64	.823

Scale: 1=strongly disagree, 5=strongly agree (Source: Field work)

### Suitability of various CMAPs to SMEs operating in the hotel sector

Respondents were asked, to indicate the suitability of 23 CMAPs to their hotels on a five-point Likert scale with weightings of one for very unsuitable, two for unsuitable, three for neither suitable nor unsuitable, four for suitable and five for very suitable. Therefore, the closer the mean was to five, the more respondents perceived a CMAP to be suitable. For the sake of clarity and conciseness, the percentages of those who indicated that a CMAP is either suitable or very suitable were added up together and reported as “percentage that perceive the CMAP to be suitable to their business” in the second column of Table 3. In addition, those who indicated that a given CMAP is neither suitable nor unsuitable for their businesses were conservatively reported as refuting the suitability of the practice to their business. This approach is justified as it ensures that only those who indicated that CMAPs are suitable for their businesses are reported as such, and it has been used in prior studies (Kamala & Maduekwe, 2016). The results are shown in Table 3.

As shown in Table 3, budgeting (92%) was perceived to be the most suitable CMAP, followed by forecasting (78%), and then Cost, volume and profit analysis to determine the break-even point (75%). Other CMAPs that were perceived to be suitable by most respondents included variance analysis (Analysis of deviation from budgets and standard costs) (71%), industry competitor analysis (70%) and financial and non-financial performance measurement techniques (67%). Ordering of optimal inventory (67%), capital budgeting approaches (65%), cost plus pricing techniques (63%), cost management and control techniques (63%), theory of constraints (63%), real time performance indicator dash boards (63%), Just in time system (63%) and working capital management techniques (62%) were also perceived by a majority of respondents to be suitable for SMEs operating in the hotel sector. Other CMAPs were perceived to be suitable to the SMEs but to a lesser extent. These included, what if analysis (62%), benchmarking against competitors (61%), continuous cost reduction techniques (Kaizen costing) (61%), as well as financial and non-financial performance evaluation of each manager and the department managed (60%).

In short, all 23 CMAPs were perceived to be suitable by at least 50% of the respondents, albeit to a varying extent. The means obtained also mirrored the percentages indicated. The



standard deviations of less than one for all 23 CMAPs indicate an agreement in the responses of the respondents.

**Table 3. How suitable are the following CMAPs to the business**

CMAPs	Percentage that perceive the CMAP to be suitable to their business	Respondents	Standard deviation
		N = 100	
	Suitable	Mean	
i. Forecasting	78%	3.97	.731
ii. Budgeting	92%	4.27	.601
iii. variance analysis (Analysis of deviation from budgets and standard costs)	71%	3.80	.651
iv. Cost, volume and profit analysis to determine the break-even point	75%	3.85	.672
v. Cost plus pricing techniques (using cost as the basis determining prices)	63%	3.68	.634
vi. Capital budgeting approaches (to allocate funds available to competing investment alternatives)	65%	3.74	.676
vii. Financial and non-financial performance measurement techniques	67%	3.71	.640
viii. Industry competitor analysis	70%	3.73	.649
ix. Cost management and control techniques	63%	3.72	.683
x. Working capital management techniques	62%	3.69	.662
xi. Ratio analysis of departmental financial statements	54%	3.58	.669
xii. Benchmarking against competitors	61%	3.62	.678
xiii. Financial and non-financial performance evaluation of each manager and the department managed	60%	3.61	.709
xiv. Activity based costing (billing customers according to the activities they undertake in the hotel rather than a flat rate)	55%	3.56	.729
xv. Setting and pursuing set targets of costs	52%	3.53	.717
xvi. Product life cycle analysis (Monitoring cost of a service rendered from its commencement to when it is discontinued)	55%	3.55	.642
xvii. Elimination of non-added activities to the service rendered	52%	3.48	.731
xviii. Theory of constraints (An optimal resource utilisation technique)	63%	3.58	.684
xix. Continuous cost reduction techniques (Kaizen costing)	61%	3.59	.842
xx. What if analysis (analysis of most probable scenarios)	62%	3.65	.796
xxi. Real time performance indicator dash boards (Tableau de bord)	63%	3.65	.770
xxii. Ordering of optimal inventory (Economic order quantity)	67%	3.72	.712
xxiii. Ordering inventory as and when required (Just in time system)	63%	3.67	.753

Scale: 1=Very unsuitable, 5=very suitable. (Source: Field work)

In sum, given that at least 50% of the respondents indicated that the 23 CMAPs were suitable to their businesses, one can conclude that CMAPs are in general perceived to be suitable for SMEs. The above results are consistent with those of Pavlatos and Paggios (2015) who found that CMAPs were suitable for SMEs operating in the hotel sector. The above results however



contrast those Santos's *et al.*'s (2012) who found that CMAPs were unsuitable for these entities. The reason for disparity in results is that Santos's *et al.*'s (2012) study was conducted more than eight years ago, among both large and small hotels, in Portugal.

## Conclusion

The objective of this paper was to determine the management accounting information needs of SMEs operating in the hotel sector of the Cape Metropole and the CMAPs that are suitable for these entities. Regarding the management accounting information needs of the SMEs, the results of the study revealed that the sampled SMEs need management accounting information to: analyse risks and uncertainty, optimise utilisation of scarce resources, obtain accurate data on costs, determine the break-even point, plan for sudden unexpected changes, minimise inventory wastages, assess profitability of each service rendered and each customer, and plan for revenues and costs, among others.

Concerning the CMAPs that are suitable for SMEs operating in the hotel sector, the results revealed that CMAPs were perceived to be suitable to most of the sampled SMEs. However, budgeting was perceived to be the most suitable CMAP for the SMEs, followed by forecasting, Cost, Volume and Profit (CVP) analysis, then variance analysis, followed by industry competitor analysis, financial and non-financial performance measurement techniques, ordering of optimal inventory and capital budgeting approaches. Other CMAPs perceived to be suitable to the SMEs were: cost plus pricing techniques, cost management and control techniques, theory of constraints, real time performance indicator dash boards, just in time system, working capital management techniques and what if analysis.

This study does not only fill in the gap in the literature on CMAPs that are deemed to be suitable for SMEs, but also adds invaluable insights on the management accounting information needs of these entities, which could be used to inform future government interventions meant to improve the performance of these entities. The findings may also aid SMEs to compare their own CMAPs to the ones deemed to be most suitable to these entities with a view to adopt the best of the practices. This study recommends that SMEs operating in the hotel sector should be made aware through regular training and workshops about the benefits of adopting CMAPs.

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