

Test Bank to accompany
Accounting Essentials for Hospitality Managers

Chapter 1: Introduction: Hospitality Decision Makers' Use of Accounting

1. Which of the following is not an example of a sector that can be classified within the hospitality industry?
 - A. Cruise liners
 - B. Country and sports clubs
 - C. Pubs and bars
 - D. Fast-food outlets
 - E. All of the above can be classified within the hospitality industry

2. Which of the following statements is not true?
 - A. Designing a large hotel's organisational structure and accounting system is complicated by the need to co-ordinate a range of disparate functions that typically include the provision of accommodation, restaurant and bar facilities.
 - B. Hotels can be distinguished from most other service sectors as the location of the service provision is also the place where the customer purchases and consumes the services offered.
 - C. High functional interdependency facilitates departmental accountability.
 - D. The nature of management decision making in connection with selling rooms in a hotel can be likened to the sale of seats in the airline or entertainment industries.
 - E. Hotels' high sales volatility makes accurate budgeting more challenging.

3. Which of the following is not a key characteristic of the hotel industry?
 - A. High sales volatility.
 - B. High product perishability.
 - C. High proportion of fixed costs.
 - D. High proportion of labour intensive activities.
 - E. All of the above are key characteristics of the hotel industry

4. Which of the following is not a generally acknowledged sales volatility challenge that is evident in the hotel industry?
 - A. Economic cycle volatility
 - B. Seasonal sales volatility
 - C. Staff turnover sales volatility
 - D. Weekly sales volatility
 - E. Intra-day sales volatility

5. Which of the following is not a true statement?
- A. Relative to purchases in most other commercial contexts, there tends to be a short time span between order placement, production and sale of many items in a restaurant kitchen.
 - B. A high proportion of a hotel's costs do not vary in line with sales levels.
 - C. Relative to most other industries, activities conducted in the hotel industry are not labour intensive.
 - D. Achieving standardised approaches to reporting is more of a concern in financial accounting than in management accounting.
 - E. Management accounting is less standardised than financial accounting.
6. Which of the following statements is untrue?
- A. A lack of confidence in financial accounting systems would likely make it harder to raise debt and equity funding.
 - B. Management accounting systems are designed to help managers in their decision making and control of businesses.
 - C. Greater use of the Uniform System of Accounts is signifying increased standardisation of hotel account classification schemes and also financial performance reports produced by hotels.
 - D. The accounting system is one of several information systems that monitor the performance of all departments within hotels.
 - E. For the sake of a healthy economy, it is important that a reliable financial accounting system is established.
7. Which of the following is not a true statement?
- A. Financial accounting concerns the preparation of financial reports for external users on a monthly basis.
 - B. Management accounting concerns the provision of financial reports to managers.
 - C. Management accounting reports can be produced using non- standardised formats across companies.
 - D. For most organisations, the accounting system can be seen as the most extensive and all encompassing information system.
 - E. A reducing level of confidence in financial accounting systems would translate into a greater reluctance for equity providers to invest in companies.
8. In the context of hotel management, which of the following does not represent an example of high perishability with respect to a sales opportunity?
- A. A specific room night.
 - B. A delivery of strawberries.
 - C. A delivery of bottled beer.
 - D. A large conference room for a specific day.
 - E. None of the above, they are all examples of products or services with high perishability.

9. Which of the following is not a true statement?
- A. Compared to the hotel sector, most business sectors experience a relatively high degree of economic cycle related sales volatility.
 - B. The hotel sector is subject to high seasonal sales volatility.
 - C. The hotel sector is subject to high weekly sales volatility.
 - D. The hotel sector is subject to high intra-day sales volatility.
 - E. Sales volatility can be expected to be greater in tourism hotels than in hotels located in central business districts.
10. The Uniform System of Accounts:
- A. represents an “off the shelf” accounting system that can be adopted by any business in the hotel industry.
 - B. is a system that can be viewed as “state of the art” as it benefits from the accumulated experience of the parties that have contributed to the system’s development over many years.
 - C. promotes consistent account classification schemes as well as consistent presentation of performance reports and therefore facilitates comparison across hotels.
 - D. represents a common point of reference for hotels within the same hotel group.
 - E. All of the above are true.
11. Which of the following statements is not true:
- A. The hospitality industry encompasses a narrow range of activities and types of organisations.
 - B. A large hotel’s organisational structure and accounting system should be designed with due regard given to co-ordinating a range of functions that will frequently include the provision of accommodation, restaurant and bar facilities.
 - C. The sale of a hotel’s rooms can be likened to the sale of seats in the airline industry.
 - D. A parallel exists between food preparation in restaurant kitchens and production activities in manufacturing organisations.
 - E. Bar operations can be likened to retailing.
12. Which of the following statements is not true:
- A. The uniform system of accounts represents an “off the shelf” accounting system that can be adopted by any business in the hotel industry.
 - B. The uniform system of accounts is a system that can be viewed as “state of the art” as it benefits from the accumulated experience of the parties that have contributed to the system’s development over many years.
 - C. The uniform system of accounts promotes consistent account classification schemes as well as consistent presentation of performance reports and therefore facilitates comparison across hotels.
 - D. The uniform system of accounts signifies that all hotels should use the same management accounting system.
 - E. The uniform system of accounts represents a common point of reference for hotels within the same hotel group.

13. Which of the following is not a true statement?
- A. Financial accounting concerns the preparation of financial reports for external users such as shareholders.
 - B. A lack of confidence in financial accounts would likely reduce investors' willingness to buy shares.
 - C. An important role of management accounting is to help a company that sells produce to a hotel decide whether it is safe to extend credit to the hotel. .
 - D. Budgeting can be viewed as falling within the management accounting function.
 - E. Financial accounting is more standardised than management accounting.
14. Which of the following statements is not true:
- A. The hospitality industry encompasses a broad range of activities and types of organisations.
 - B. A large hotel's organisational structure and accounting system should be designed with due regard given to co-ordinating a range of functions that will frequently include the provision of accommodation, restaurant and bar facilities.
 - C. The sale of a hotel's rooms can be likened to the sale of seats in the airline industry.
 - D. A parallel exists between food preparation in restaurant kitchens and production activities in manufacturing organisations.
 - E. Bar operations can be likened to scheduled batch production.
15. Which of the following statements is not true:
- A. The uniform system of accounts is extensively used outside the hotel industry.
 - B. The uniform system of accounts is a system that can be viewed as "state of the art" as it benefits from the accumulated experience of the parties that have contributed to the system's development over many years.
 - C. The uniform system of accounts promotes consistent account classification schemes as well as consistent presentation of performance reports and therefore facilitates comparison across hotels.
 - D. The uniform system of accounts does not signify that all hotels should use the same management accounting system.
 - E. The uniform system of accounts represents a common point of reference for hotels within the same hotel group.
16. Which of the following is not a true statement?
- A. Financial accounting concerns the preparation of financial reports for external users such as shareholders.
 - B. A lack of confidence in financial accounts would likely reduce investors' willingness to buy shares.
 - C. Management accounting concerns the production of accounting information and reports that can be used to aid management's decision making and organisational control.
 - D. As budgeting involves future projections, it is not viewed as falling within the management accounting function.
 - E. Financial accounting is more standardised than management accounting.

17. Which of the following statements is not true?

- A. Designing a large hotel's organisational structure and accounting system is complicated by the need to co-ordinate a range of disparate functions that typically include the provision of accommodation, restaurant and bar facilities.
- B. Hotels can be distinguished from most other service sectors as the location of the service provision is also the place where the customer purchases and consumes the services offered.
- C. Low functional interdependency facilitates departmental accountability.
- D. Financial measures focus on causes rather than symptoms.
- E. Hotels' high sales volatility makes accurate budgeting more challenging.