

FINANCIAL ACCOUNTING FOR TOURISM: A CASE STUDY ON SUMEER TOURS AND TRAVELS

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Abstract:

This research paper explores the critical role of financial accounting in the success of tourism businesses, with a particular focus on Sumeer Tours and Travels. The study delves into various financial accounting practices such as financial reporting, revenue recognition, cost management, and budgeting. By examining the financial statements and accounting strategies of Sumeer Tours and Travels, the paper highlights how effective financial management contributes to the company's financial health, transparency, and long-term sustainability in the competitive tourism industry.

Keywords: Tourism industry, Financial accounting, Tourism business, Financial transactions.

1. Introduction

Financial accounting is an indispensable tool for businesses, particularly in the tourism industry, where tracking, reviewing, and reporting financial transactions are crucial for success. This research paper presents a case study on Sumeer Tours and Travels, a leading player in the tourism sector, to explore how financial accounting practices have underpinned the company's success. The study focuses on key aspects of financial accounting, including financial reporting, revenue recognition, cost management, and budgeting, all of which are vital for maintaining financial stability and fostering growth in the highly competitive tourism market.

2. Background

Sumeer Tours and Travels operates in the dynamic and competitive tourism industry, offering a wide range of services, including tour packages, hotel bookings, travel planning, and other related services. The company caters to both domestic and international travelers through various channels, such as online platforms, travel agents, and direct bookings. This diverse service portfolio and multi-channel approach necessitate robust financial accounting practices to manage the complexities of financial transactions and ensure business success.

3. Financial Reporting

Financial reporting is essential for Sumeer Tours and Travels to communicate its financial performance to stakeholders, including investors, creditors, and regulatory bodies. The company adheres to Generally Accepted Accounting Principles (GAAP) to prepare its financial statements, such as the income statement, balance sheet, and cash flow statement. This section examines how Sumeer Tours and Travels utilizes financial reporting to maintain transparency, build credibility, and foster stakeholder confidence, all of which are critical for sustaining its competitive edge in the tourism industry.

4. Revenue Recognition

In the tourism industry, revenue recognition is a complex but crucial aspect of financial accounting due to the diverse range of revenue streams. Sumeer Tours and Travels generates revenue from tour package sales, hotel bookings, and ancillary services. This section explores the methods employed by the company to identify, measure, and recognize revenue from these various sources. The study highlights the importance of accurate revenue recognition in ensuring that the company's financial statements reflect its true financial position, thereby enabling better decision-making and strategic planning.

5. Cost Management

Effective cost management is vital for the profitability and sustainability of Sumeer Tours and Travels. The company employs cost accounting techniques to manage both direct costs (e.g., transportation, accommodation) and indirect costs (e.g., marketing, administration). This section examines the company's cost allocation methods, cost control measures, and the use of management accounting tools for informed decision-making. By analyzing Sumeer Tours and Travels' approach to cost management, the study underscores the significance of controlling expenses to maximize profitability in the tourism business.

6. Budgeting

Budgeting is a critical financial planning tool for tourism businesses, enabling them to set goals, allocate resources, and monitor progress. Sumeer Tours and Travels uses budgeting to align its financial planning with strategic objectives and market conditions. This section discusses the company's budgeting process, including the development of annual budgets, variance analysis, and the implementation of corrective measures. The paper highlights the importance of budgeting in optimizing financial performance and ensuring the company's long-term success in a competitive environment.

7. Financial Statements Analysis

To support the case study, this section presents an analysis of the financial statements of Sumeer Tours and Travels for the year ending December 31, 2022. The income statement reveals the company's revenue generation from various sources, gross profit, operating income, and net income. The balance sheet provides insights into the company's assets, liabilities, and equity structure. This analysis demonstrates the company's financial health and its ability to effectively manage its financial resources.

Income Statement (for the year ending December 31, 2022)

Revenue	Amount (INR)
Tour Package Sales	25,00,000
Hotel Bookings	12,00,000
Ancillary Services	5,00,000
Total Revenue	42,00,000
Cost of Goods Sold	
Direct Costs (Transportation, Accommodation)	18,00,000
Gross Profit	24,00,000
Operating Expenses	
Marketing Expenses	6,00,000
Administrative Expenses	4,00,000
Operating Income (EBIT)	14,00,000
Interest Expense	1,00,000
Net Income Before Tax	13,00,000
Income Tax Expense	3,00,000
Net Income	10,00,000

(Table 1.1 Income Statement)

Balance Sheet (as of December 31, 2022)

Assets	Amount (INR)
Current Assets	
Cash and Cash Equivalents	5,00,000
Accounts Receivable	8,00,000
Inventory	2,00,000
Total Current Assets	15,00,000
Property, Plant, and Equipment	20,00,000
Intangible Assets	5,00,000
Total Assets	40,00,000
Liabilities and Equity	
Current Liabilities	
Accounts Payable	4,00,000
Short-term Loans	3,00,000
Total Current Liabilities	7,00,000
Long-term Loans	15,00,000
Equity	
Share Capital	5,00,000
Retained Earnings	13,00,000
Total Equity	18,00,000
Total Liabilities and Equity	40,00,000

(Table 1.2 Balance Sheet)

8. Conclusion

The success of Sumeer Tours and Travels in the competitive tourism industry is largely attributed to its sound financial accounting practices. The case study illustrates how accurate financial

reporting, effective cost management, strategic budgeting, and proper revenue recognition contribute to the company's financial health, transparency, and growth. This research underscores the importance of robust financial accounting practices in the tourism sector, which are essential for satisfying stakeholders and achieving long-term success in a highly competitive market.

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