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# A Comparative Study on Financial Performance of Hotel Industry in Pakistan (Sarena Hotel & Marriott Hotel)

Muhammad Ashar Asdullah[1*] Zohaib-ur-Rehman [2]

1. Salford Business School, University of Salford, Manchester, United Kingdom
2. School of Business and Economics, University of Management and Technology, Lahore, Pakistan

* E-mail of the corresponding author: asharuos@hotmail.com

**ABSTRACT**

The aim of this research is to analyse the financial performance of two big names of Hotel industry of Pakistan (Serena Hotel and Marriott Hotel). Specifically, the study seeks to analyse both hotels using financial ratios. Firstly, a review of the literature on the financial performance of Hotel Industry and use of Ratio analysis is done in order to understand its use for analysis. Financial statements of Hotels are mainly used to conduct this research. Overall, the findings show that both hotels have performed better in 2012 than previous years. It is also seen that both hotels are not maintaining sufficient assets with respect to liabilities (Liquidity ratios). Serena's profit margin ratio is higher than that of Marriott Hotel. Given the importance of understanding the ratio analysis with need to fill the niche of research on the topic in our country; this study is of great importance to both academia and practitioners in the Hotel Industry of Pakistan.

**Keywords**: Financial Statements, Ratio analysis, Liquidity ratio, Profit margin ratio

## 1. INTRODUCTION

### 1.1 Background:

An industry that provides lodging, usually meals and other services that may be containing a public bar to the travelers or to the paying guests (The American Heritage, 2009). According to the British law the Hotel is defined as that commercial place that provides food and shelter to the "bonafied" traveler. In Pakistan the hotel industry is present since 1947, and as plays an important role to contribute a large percentage in the economy of Pakistan and this industry also has a large contribution in the revenue sector of Pakistan. According to Pakistan Hotels Association, during the year 2005-06 the hotel industry of Pakistan showed 9.7% growth rate in hotel and 9.5% in rooms. And during the last 5 years the 5% is the average rate of growth of the establishment of hotels and 3.5% in rooms.At the moment there are many hotels in Pakistan of 4 stars and 5 starsplays a major role in hospitality operations: Pearl Continental, Avari Towers, Ambassador Hotel, Marriot, Sheraton Hotel, Serena Hotel and Carlton Hotel.

### 1.2 Financial Statement Analysis:

Finance is the life blood of an organization that helps the organization in running its operations smoothly. We can define the competitiveness and potential of an organization by its financial performance. Every industry prepares some statements to understand their financial status and these statements are known as financial statements. These Financial Statements are;

- Balance Sheet
- Income Statement
- Cash Flow Statement
- Statement of Shareholder Equity

These financial statements provide the information about the financial position and financial performance of industry to many users, which are; Managers, Shareholders, Investors, Financial Institutions, Suppliers, Customers, Employees, Competitors, General Public and Government Sectors. The understanding of these financial statements is very important for the managers, so that managers can assess the information from these statements that makes control possible. (Jonathan A. Hales, 2011). With the help of these information managers can easily evaluate the worth of Hotel and its level of sales, costs and profitability (Rocoo M. Angelo& Andrew N. Valadimir, 2011).

Due to the some limitation on financial statements like lack of precision, incomplete information & lack of comparability, a proper analysis of financial statement is required to identify the financial strength and weakness of business. According to Metcalf and Titard"The analysis of financial statement is the process of assessing relationships between components of financial statements to get a better understanding of the firm's position and performance" (ReddinaMohanaRao, 2011).

For the study of the financial data the ratio analysis are use used since 18 century. And certainly the financial ratios help the analyst to evaluate the financial condition of company (Lawder, K., 1989). There are widely techniques are used for financial ratio analysis, but in hotel industry there are very few techniques are attempt (Woo Gon Kim & BakerAyoun, 2005).

In this study, the primary objective is to financially compare the two major hotels within the Hotel industry of Pakistan, Serena Hotel and Marriott Hotel by using ratio analysis of each hotel's consolidated Balance Sheet and Income Statements to derive the financial position of these hotels.

The aim of this study is to analyze the information from the financial statements;

To assess the Liquidity & Profitability Ratio analysis of hotels,

To assess the progress of the hotels.

## 2. LITERATURE REVIEW

The comparison that shows the relationship between two amounts is basically known as ratio. The major financial information of a business brought out from the balance sheet and income sheet. so that this statements are the principal sources that are mainly used to calculate the financial ratios (Dong Jin Kim, 2006).Andrew and schmidgall (1993) categorized the financial ratios into different types for the hospitality industry; Solvency ratios, Liquidity ratios, Profitability ratios and Operating ratios.

Comparison of financial ratios of different firms from different countries is conducted by Meric et al. with the help of his collegues (Meric et all., 1997; 2002; 2004). There are many scholars and researchers like Smith, 1997; Zaman & Unsal, 2000; Locke & Scrimgeour, 2003, also did the same study (Dond Jin Kim, 2006). Dong Jin Kim also concludes that the comparison of financial characteristics of different industries from different countries is understandable because the firms of these segments are intrinsically homogeneous.

The result of investigation by Andrew, (1993) through the leverage ratio of restaurants and hotels shows that in restaurants segment the value maximizing capital structure would be between 45% and 55% but in hotels this ratio would be between 55% and 60%.Hales J. (2005) argues that in hotels industry to assess the future it is necessary to financial analyze the past performance of hotel. These analysis reports should be daily, weekly, monthly and quarterly, but the monthly reports are more important because these are examined by the internal as well as the external analysts.

Jangels & Ralston (2006) argue that the managers of internal operations, the shareholders of organization and current creditors are those groups who are interested in the financial ratio analysis. Financial ratios permit an analyst the right of use not just the absolute value of the relationship and also measure the variance within the relationship (Lawder, 1989). From the management point of view the justification for the use of financial ratio analysis is that we express many figures in the form of ratios, and that information which is missed will be revealed after the individual members are observed (Thomas & Evanson, 1987). And then that information can be used by the managers for the improvement of their operations. Auditors can also use ratios for conducting an analytical review of their clients (Gardiner, 1995).

We get numerous amount of information from the balance sheet and income statement, it is also possible to develop an infinite number of ratios and items related to income statement and to each other, also items of balance sheet to each others, and as well as with the items of one statement to the items of other statement. However, the various items present in the financial statements are mostly highly correlated with each other so that the financial ratios are highly correlated with one another (Horrigan, 1996; Zeller & Stanko, 1997).

## 3. METHODOLOGY

In this study the approach used for the analysis have following steps;

Sample Identification and Data Collection,

Categorization and Selection of Financial Ratios

**3.1 Sample Identification:**

Serena Hotel and Marriott Hotel are the samples which were used in this study for the analysis. The primary factor of using these hotels for analysis as sample is that these hotels are the main and well reputed hotels in Pakistan. These hotels covered a broad spectrum of the hospitality industry.

**3.2 Data Collection:**

To have a best result the Quantitative method and Qualitative method have been used. As a secondary data the financial data of these hotels is used and this financial data later calculated with the help of MS Excel. To know about the performance of these hotels a comparative study is done, here the study also identified the performance of an individual hotel. As a financial data the income statement and Balance sheet is used to compute the different financial ratios.

## 4. ANALYSIS OF FINANCIAL PERFORMANCE

### 4.1. SERENA HOTEL:

The Serena Group comprises a collection of 32 luxury resorts, safari lodges and hotels, which are located in East Africa (Kenya, Tanzania, Rwanda, Uganda and Mozambique) and Southern Asia (Pakistan, Afghanistan and Tajikistan). The Serena service profile guarantees unprecedented luxury, extensive amenities and unrivalled warmth of personal attention (Official Website).

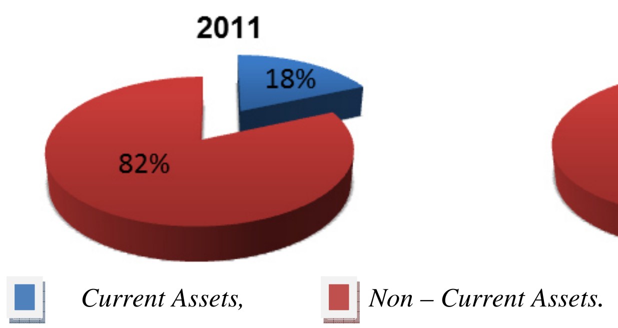
***Table 4.1.*** *Structure of Balance Sheet of Serena Hotel as at 31st December, 2012.*

| Value | 2011 Shs'000 | 2012 Shs'000 | Change in % |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash & Cash Equivalent | 403,114 | 257,205 | |
| Inventories | 375,588 | 369,306 | |
| Receivables | 1,636,227 | 1,443,766 | |
| **TOTAL CURRENT ASSETS** | **2,414,929** | **2,070,277** | |
| NON-CURRENT ASSETS | | | |
| Fixed Assets | 8,829,042 | 9,090,486 | |
| Intangible Assets | 1,057,861 | 1,057,861 | |
| Investment in Associates | 687,008 | 933,202 | |
| Non-Current Receivables | - | 115,497 | |
| Deferred Income Tax Asset | 143,000 | 216,753 | |
| **TOTAL NON-CURRENT ASSETS** | **10,716,911** | **11,413,799** | |
| **TOTAL ASSETS** | **13,131,840** | **13,484,076** | **3** |
| | | | |
| **TOTAL EQUITY** | **8,046,824** | **8,181,410** | **2** |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 1,659,372 | 1,326,720 | |
| Deferred Income Tax Liability | 1,678,659 | 1,783,363 | |
| Retirement Benefit Obligations | 131,689 | 146,622 | |
| **TOTAL NON-CURRENT LIABILITIES** | **3,469,720** | **3,256,705** | |
| CURRENT LIABILITIES | | | |
| Payable & Accrued Expenses | 1,139,017 | 1,258,031 | |
| Current Income Tax | 9,585 | 16,010 | |
| Borrowings | 466,694 | 771,920 | |
| **TOTAL CURRENT LIABILITIES** | **1,615,296** | **2,045,961** | |
| **TOTAL LIABILITIES** | **5,085,016** | **5,302,666** | **4** |
| **TOTAL EQUITY & LIABILITIES** | **13,131,840** | **13,484,076** | **3** |

- **Assessment of Financial Performance**

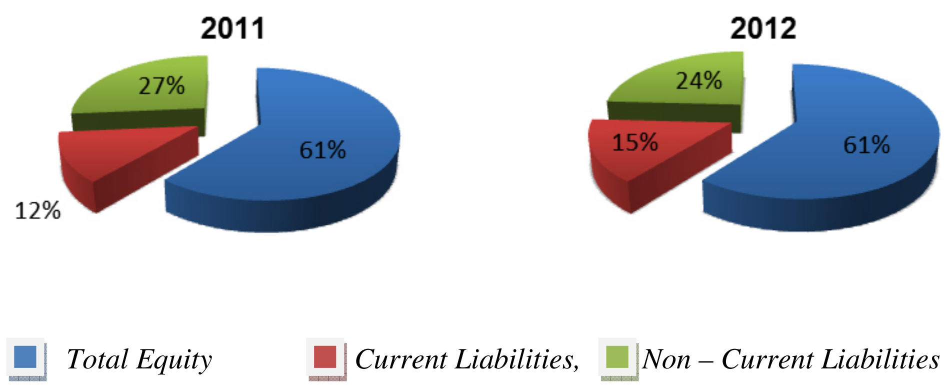
Balance Sheet of Serena Hotel shows the current assets over total assets are 18% in 2011, and 15% in 2012. Serena's current assets decreased 14% in these two years.

**Figure 4.1.** *Current & Non – Current Assets of Serena Hotel*




Whether their current liabilities over total liabilities and equity are 12% in 2011, 15% in 2012. Their current liabilities increased 27% in two years. There is also an increase of 2% in shareholder's equity from 2011 to 2012.

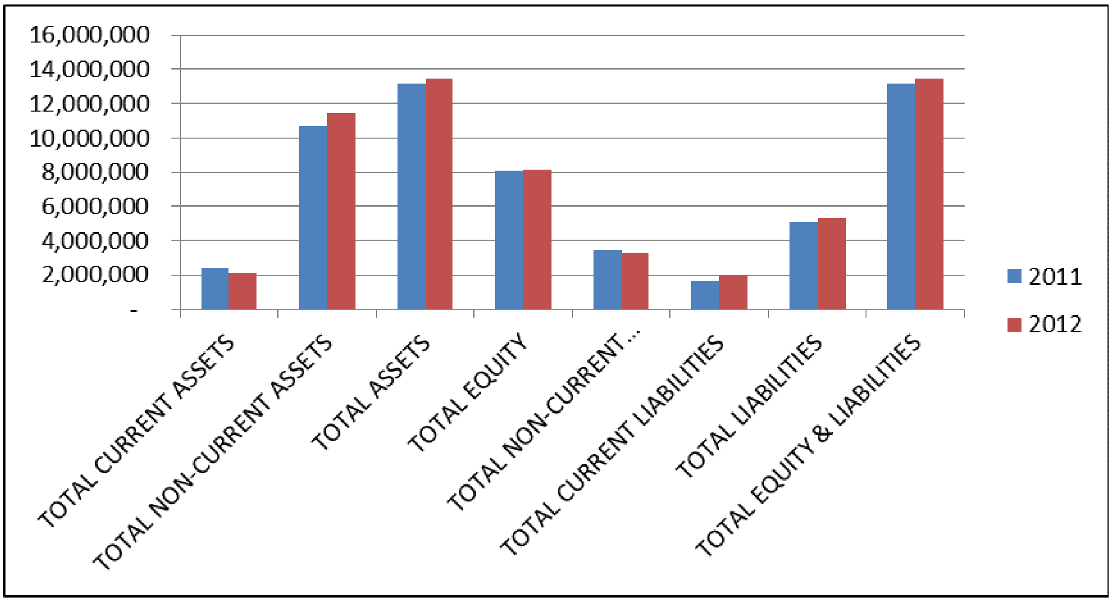
**Figure 4.2.** *Current & Non – Current Liab. & Total Equity of Serena Hotel*




Within Serena's current assets cash and cash equivalent decreased 36% from 2011 to 2012. On the other hand the investments in associates increased 36%, and their fixed assets increased 3% in these two years.

The following diagram showed the changes in the main balance sheet accounts of Serena Hotel.

**Figure 4.3.** *The changes in the main balance sheet accounts of Serena Hotel*




## 4.2. MARRIOTT HOTEL:

Since 1927, Marriott has established a culture and a tradition of innovation, service and leadership. Marriott's network of 3,800+ hotels and brands across the globe leverages a proven model of managing and franchising hotels, providing vast opportunities for worldwide growth and development. Marriott offers owner and franchisee opportunities across the globe: regions include the U.S. and Canada, Europe, the Caribbean & Latin America, the Middle East & Africa and Asia Pacific (Official Website).

**TABLE 4.2.** *Structure of Balance Sheet of Marriott Hotel as at 31st December, 2012*

| Value | 2011 | 2012 | Change in % |
|---|---|---|---|
| | $ in Millions | $ in Millions | |
| **CURRENT ASSETS** | | | |
| Cash & Equivalents | 102 | 88 | |
| Accounts & Notes Receivables | 875 | 1,028 | |
| Inventory | 11 | 10 | |
| Current Deferred Taxes, net | 282 | 280 | |
| Prepaid Expenses | 54 | 57 | |
| Other | - | 12 | |
| **TOTAL CURRENT ASSETS** | **1,324** | **1,475** | |
| **NON-CURRENT ASSETS** | | | |
| Property & Equipment | 1,168 | 1,539 | |
| Goodwill | 875 | 874 | |
| Contract acquisition costs & Other | 846 | 1,115 | |
| Equity & Cost Method Investments | 265 | 216 | |
| Notes Receivable | 298 | 180 | |
| Deferred Taxes, net | 873 | 676 | |
| Other | 261 | 267 | |

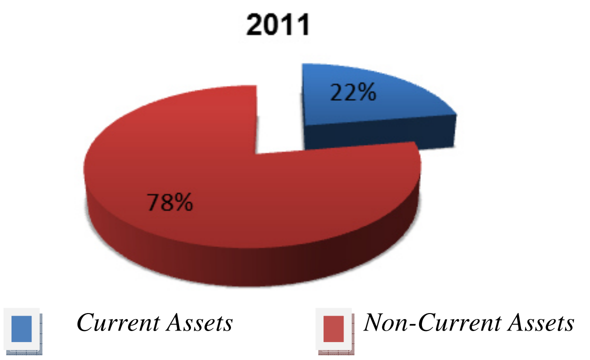
 

| | | | |
|---|---|---|---|
| **TOTAL NON-CURRENT ASSETS** | **4,586** | **4,867** | |
| **TOTAL ASSETS** | **5,910** | **6,342** | **7** |
| | | | |
| **SHAREHOLDER'S DEFICIT** | **(781)** | **(1,285)** | **65** |
| **NON-CURRENT LIABILITIES** | | | |
| Long-Term Debt | 1,816 | 2,528 | |
| Liability for Guest Loyalty Programs | 1,434 | 1,428 | |
| Other Long-Term Liabilities | 883 | 898 | |
| **TOTAL NON-CURRENT LIABILITIES** | **4,133** | **4,854** | |
| **CURRENT LIABILITIES** | | | |
| Current Portion of Long-Term Debt | 355 | 407 | |
| Accounts Payable | 548 | 569 | |
| Accrued Payroll & Benefits | 650 | 745 | |
| Liability for Guest Loyalty Programs | 514 | 593 | |
| Other | 491 | 459 | |
| **TOTAL CURRENT LIABILITIES** | **2,558** | **2,773** | |
| **TOTAL LIABILITIES** | **6,691** | **7,627** | **14** |
| **TOTAL EQUITY & LIABILITIES** | **5,910** | **6,342** | **7** |

- **Assessment of Financial Performance**

Balance Sheet of Marriott Hotel shows the current assets over total assets are 22% in 2011, and 23% in 2012.

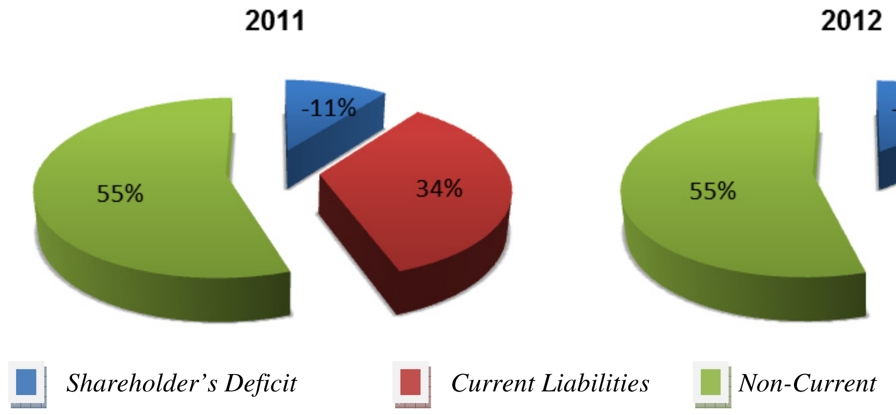
**Figure 4.4.** *Current & Non – Current Assets of Marriott Hotel*




Marriott's current liabilities over total liabilities and equity are 34% in 2011, 31% in 2012.

**Figure 4.5.** *Current & Non – Current Liab. & Shareholder's Deficit of Marriott*

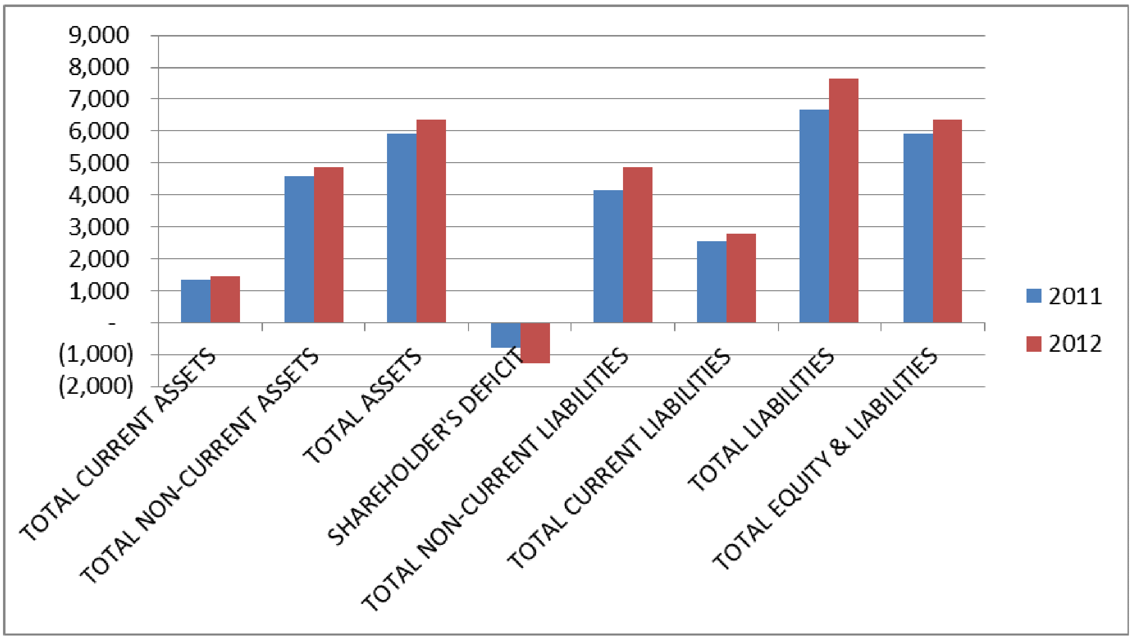



Marriott's current assets and current liabilities both are increased from 2011 to 2012, but their current assets increased at a faster rate than current liabilities. Marriott's current assets increased 11% from 2011 – 2012, but their current liabilities increased 8% in two years.

Within Marriott's current assets cash and cash equivalent decreased 14% from 2011 to 2012. Their cost method investments also decreased with 18%, but there is an increase of 32% in the fixed assets from 2011 to 2012.

The following diagram showed the changes in the main balance sheet accounts of Marriott Hotel.

**Figure 4.6.** *The changes in the main balance sheet accounts of Marriott Hotel*



## 5. RATIO ANALYSIS OF FINANCIAL STATEMENTS

**Table 5.1.** *Results of Ratio Analysis of Balance Sheet & Income Statement*

| | Serena Hotel | | Marriott Hotel | |
|---|---|---|---|---|
| | **2011** | **2012** | **2011** | **2012** |
| **Liquidity Ratios** | | | | |
| **Current Ratio** | 1.50 | 1.01 | 0.52 | 0.53 |
| **Quick Ratio (Acid Test Ratio)** | 1.26 | 0.83 | 0.51 | 0.53 |
| **Accounts Receivable Turnover** | 3.34 | 3.70 | 14.08 | 11.49 |
| **Net Working Capital Ratio** | 0.10 | 0.00 | 1.58 | 1.01 |
| **Profitability Ratios** | | | | |
| **Net Profit Margin %** | 11 | 9 | 2 | 5 |
| **Return on Assets %** | 5 | 4 | 3 | 9 |
| **Activity Ratios** | | | | |
| **Inventory Turnover (times)** | 14.55 | 14.47 | 1119.73 | 1181.40 |
| **Fixed Asset Turnover (times)** | 1.37 | 1.27 | 10.55 | 7.68 |
| **Leverage Ratios** | | | | |
| **Equity to Debt Ratio** | 1.58 | 1.54 | -0.12 | -0.17 |
| **Debt to Equity Ratio** | 0.63 | 0.65 | -8.57 | -5.94 |
| **Debt Ratio** | 0.39 | 0.39 | 1.13 | 1.20 |
| **Financial Leverage** | 1.63 | 1.65 | -7.57 | -4.94 |
| **Coverage Ratio** | 6.21 | 5.19 | 3.17 | 7.20 |

### 5.1. Assessment of Financial Ratios:

As it mentioned above that to evaluate the strength and weakness of company and to evaluate the trend of business the ratios are very helpful.

- **Financial Liquidity:**

**Current Ratio** matches current assets with current liabilities of the studied hotels and the values showed whether the current assets are enough to settle current liabilities. If the value of current ratio is below 1 then it means that current liabilities exceed current assets and this shows critical liquidity problems. The above table shows the abilities of the studied hotels. Serena Hotel had value 1.5 in 2011, but in 2012 their cash asset ratio decreases to 1.01. This means that Serena Hotel able that its current assets cover all obligations immediately. But on the other hand Marriott Hotel had value 0.52 in 2011 and 0.53 in 2012. This means that the Marriott showed critical liquidity problems due to exceed of current liabilities over current assets.

**Quick Ratio** value describe that how well the studied hotels can meet their short term financial liabilities. A common rule of thumb is that companies with a quick ratio of greater than 1.0 are sufficiently able to meet their short-term liabilities. In 2011 Serena's quick ratio was 1.262 it means that last year they are sufficiently able to meet their short-term liabilities because a common rule of thumb is that companies with a quick ratio of greater than 1 are sufficiently able to meet their short-term liabilities. but now in 2012 Serena's quick ratio falls down to 0.831 it means that a company is over-leveraged means the company is taking too much debt, or they are struggling to grow their sales, paying bills too quickly or collecting receivables too slowly. In 2011 Marriott's quick ratio was 0.513 it means last year they are not sufficiently able to meet their short-term liabilities because their quick ratio was less than 1,it means they was facing difficulties like too much debt was taken or low sales last year, paying bills too quickly or collecting receivables too slowly. In 2012 Marriott's quick ratio is 0.528 means slightly better than the previous year but still they are not able to meet their short-term liabilities because their quick ratio is less than 1 means still they are facing problems like low sales, paying bills too quickly and collect receivables too slowly and taking too much debt for their business.

**Figure 5.1.** *Current Ratio and Quick Ratio*


**Net Working Capital** characterizes amount of capital in a company's turnover. If current assets of a business at the point in time are more than its current liabilities the working capital is positive, and this tells that the company is not expected to suffer from liquidity crunch in near future. However, if current assets are less than current liabilities the working capital is negative, and this communicates that the business may not be able to pay off its current liabilities when due.

- **Profitability Ratio:**

**Net Profit Margin** point outs that after subtracting out all the expenses how well the studied hotels convert their sales into profits. The value of net profit margin is very much important for the shareholders because it shows them that how good a company is converting its revenue into profits available for shareholders. In 2011 Serena's net profit margin was 11%, which means the company has $0.11 of net income for every dollar of sales. In 2012 Serena's net profit margin was 9% means lower than the previous year; this shows that the company has $0.09 of net income for every dollar of sales. In 2011 Marriott's net profit margin was 2% which means the company has $0.02 of net income for every dollar of sales. In 2012 Marriott's net profit margin was 5% which means the company has $0.05 of net income for every dollar of sales that year.

**Return on Assets** helps to measures efficiency of both hotels that how these hotels efficiently used their assets to generate net income. Return on assets indicates the number of cents earned on each dollar of assets. In 2011 Serena's ROA was 5% means low ROA ratio, this ratio indicates that 0.05 number of cents earned on each dollar of assets. In 2012 Serena's ROA was 4% means low ratio from the previous year also, this ratio indicates that 0.04 number of cents earned on each dollar of assets. In 2011 Marriott's ROA was 3% means low ROA ratio, this ratio shows that 0.03 numbers of cents earned on each dollar of assets by the company. In 2012 Marriott's

ROA ratio was 9% means high ratio and this high ratio indicates that business is more profitable and ratio indicates that 0.09 number of cents earned on each dollar of assets.

**Figure 5.2.** *Net Profit Margin and Return on Assets*


- **Activity Ratio:**

**Inventory Turnover** helps to measure the efficiency of managing and selling of inventories of these hotels. In 2011 Serena's inventory turnover ratio was 14.55 times which show high inventory turnover means the company is efficiently managing and selling its inventory and it also shows that the company's funds are less tied up. But company has to be careful if they have a high inventory turnover as they are subject to stock outs. In 2012 Serena's inventory turnover ratio was 14.47 times which was slightly lesser than the previous year but still shows high inventory ratio and the company is efficiently managing and selling its inventory fewer funds are tied up. In 2011 Marriott's inventory turnover was 1119.73 times which show very high inventory turnover means the company is efficiently managing and selling its inventory so that fewer funds are tied up but they also facing the problem of stock outs. In 2012 Marriott's inventory turnover was 1181.4 times which shows higher ratio than the previous year so it means they were facing the problem of stock outs and high ratio also implies either strong sales or ineffective buying or they represent an investment with a rate of return of zero.

**Fixed Asset Turnover Ratio** tells that how the studied hotels using their fixed assets to generate revenues. Fixed assets are important because they usually represent the largest component of total assets. So, the use of fixed assets in generating of revenues must be effectively and efficiently. There is no standard guideline found during research about the best level of asset turnover ratio. In 2011 Serena's fixed asset turnover was 1.37 times means low turnover which means the company is over investing in the property, plant and equipment. In 2012 fixed asset turnover was 1.27 times means lower than the previous year which shows declining trend in fixed asset turnover and it may mean that the company is over investing in property, plant and equipment. In 2011 Marriott's fixed asset turnover was 10.55 times means higher turnover ratio which shows that the company is efficiently managing its fixed assets. Fixed assets are important because they usually represent the largest component of total assets and it also shows that company has less money tied up in fixed assets for each unit of sales. In 2012 Marriott's fixed asset turnover was 7.68 times means lower than the previous year but still high turnover. As the turnover is lesser than the previous year than it means that the company is not managing their fixed assets efficiently and more money is tied up in fixed assets for each unit of sales than the previous year and the declining trend also shows that the company is over investing in property, plant and equipment.

**Figure 5.3.** *Fixed Asset Turnover*


- **Leverage Ratio:**

**Debt to Equity Ratio** helps to indicate that how much assets of these hotels are financed by debt**.** In 2011 Serena's debt to equity ratio was 0.63 means approx low and considered well, the companies which has a low amount of debt and is therefore exposed to less risk in terms of interest rate increasing or credit rating. In 2012 Serena's debt to equity ratio was 0.64 slightly high from the previous year but low and considered good so that the company was exposed to less risk in terms of interest rate increasing or credit rating.

**Debt Ratio** evaluates the studied hotel's total debt to its total asset. Debt ratio range is from 0.00 to 1.00. In 2011 Serena's debt ratio was 0.38 means lower debt ratio means low risk which is favorable for the company because the company is less dependent on leverage and the company has stronger equity position. In 2012 debt ration increases to 0.39 but still low debt ratio means low risk which is favorable for the company because the company is less dependent on lending money from others means leverage and still company has strong equity position. In 2011 Marriott's debt ratio was 1.13 means higher debt ratio means the company is taking high risk, higher value indicates that higher portion of company's assets are claimed by its creditors which means higher risk in operation since the business would find it difficult to obtain loans for new projects. In 2012 debt ratio was 1.20 means higher than the previous year. higher debt ratio means the company is taking high risk, higher value indicates that higher portion of company's assets are claimed by its creditors which means higher risk in operation since the business would find it difficult to obtain loans for new projects.

**Financial Leverage Ratio** shows that how much assets of the studied hotels holds relative to its equity. In 2011 Serena's financial leverage ratio was 1.63 means low leverage ratio which shows that company was not at risk and not using its debts and other liabilities to finance its assets. In 2012 Serena's leverage ratio was 1.64, slightly higher from the previous year but still low leverage ratio which shows that the company was not at risk. In 2011 Marriott's leverage ratio was -7.56 which shows very low leverage ratio means the company was not at risk. In 2012 Marriott's leverage ratio was -4.9 means higher than the previous year but still low leverage ratio and this shows that the company was not at risk.

**Coverage Ratio** value shows the both hotel's ability to meet its financial obligations. In 2011 Serena's coverage ratio was 6.20 means high coverage ratio so it means that the company was able to fulfill its obligations to its lenders to pay the interest expense on its debts. In 2012 coverage ratio was 5.19 means below from the last year but still high to means the company easily fulfills its obligations to pay the interest expense on its debts. In 2011 Marriott's coverage ratio was 3.17 means high coverage ratio so it shows that the company pays the interest expense on its debts easily. In 2012 the coverage ratio was 7.19 much higher from the previous year so it shows that company was able to fulfills its obligations to pay the interest expense on its debts to lenders.

**Figure 5.4.** *Equity to Debt Ratio, Debt to Equity Ratio, Debt Ratio, Financial Leverage and Coverage Ratio*


## 6. CONCLUSION

This study was conducted to analyses the financial performance of two big hotels; Serena Hotel and Marriott Hotel by using different financial ratios. The analyses of both hotels was not an easy task, because the formats of financial statements of both hotels was different and in different currencies. The inspection of balance sheet shows that the financial positions of Serena Hotel and Marriott Hotel's is seem better in 2012 than the previous year 2011, by 3% increase in the total assets of Serena Hotel and 7% increase in Marriott's total assets. But Serena Hotel's current assets decrease in 2012 and on the other hand Marriott Hotel shows improvement in its current assets.

Analysis of liquidity based on balance sheet showed that both studied hotels had problems in current ratio and quick ratio. But the analysis results of both ratios of Serena Hotel are better than the Marriott Hotel. However, the other types of financial liquidity were at acceptable levels. Profitability of studied hotel was satisfied. It was connected with net profit margin and return on asset. The net profit margin refers that there is low margin of safety and higher risk; however Serena's profit margin ratio is higher than that of Marriott Hotel, so, less risk is associated with Serena Hotel. On the other hand the Serena Hotel was poor with low returns on assets; however Marriott Hotel gave the satisfactory results. In leverage ratio Marriott Hotel also shows the week results. Under leverage ratio both studied hotels shows the satisfactory result of coverage ratio.

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