

## Average Industrial Financial Statements Analysis of Accommodation and Food & Beverage Operations in Turkey

Halil Akmeşe<sup>1</sup>

Baki Yılmaz<sup>2</sup>

Naim Ata Atabey<sup>3</sup>

### Abstract

Financial statements analysis might be evaluated as one of the main diagnostic tools of accounting science. Especially comparative financial statements analyses or technically named horizontal or dynamic analyses are employed in order to monitor sectoral performance and trends. Balance sheets and income statements are main financial statements referred to manage the dynamic analysis between multiple periods. Within the scope of this study statistical data generated by the Central Bank of the Republic of Turkey (CBRT) are used as proxies of this evaluation research. Major aim of this study is to shed light over the quantitative movements in average financial statements of accommodation and food & beverage sub sectors of tourism industry in Turkey. Recent data for the years 2012, 2013 and 2014 which are average figures representing nearly five hundred business enterprises operating under this sub sector are chosen as the primary indicators and set the basic comparison and evaluation observations of this study.

**Keywords:** Accounting, financial statements analysis, tourism industry, sector analysis

**Jel Codes:** M10, M41, L83

### Introduction

Companies need financial analysis and control mechanisms to sustain their existence by increasing profit to take effective measures for potential financial crisis and to maximize their market value.

Financial analysis can be defined as the whole of the studies of researching the changes in the items of financial statements, the relationships between the items and the trends of the items occurred in time to determine whether the financial position and financial aspects of development of a company is adequate or not and when it is required interpreting by being compared with the standards and industry average (Çabuk, 2013).

<sup>1</sup> Asst. Prof., Necmettin Erbakan University, Tourism Faculty, Turkey (Corresponding Author)

<sup>2</sup> Assoc. Prof., Selcuk University, Faculty of Economics and Administration Sciences, Turkey

<sup>3</sup> Prof., Selcuk University, Faculty of Economics and Administration Sciences, Turkey

Financial analysis has a great importance on measuring the degree of success and effectiveness of business transactions, budgeting, controlling and evaluating, making right and adjusting decisions in each process of transactions (Temizer, 2015).

In accommodation businesses there are a lot of different departments, therefore, recording financial information and accounting requires much more effort. While in large businesses, control of these works performed by the chief financial officer, in small businesses it is performed by general manager.

People and institutions benefiting from financial analysis may vary as well as the relationship between the concerned items might be different. While managers use the accounting information for the purpose of planning, controlling and evaluating business transactions, based on this information, investors make decisions of purchase, sale and retention in accordance with their financial interest. Credit institutions like suppliers and bankers use accounting information to measure the risks of giving credit to the business and to make decisions according to the results of the analysis on the matter of whether to release credit or not (Weygandt, Kieso, Kimmel, & De Franco, 2009).

The analysis of accounting and financial information has a great importance for the business stakeholders. Accordingly, the aim of this study is to reveal the development aspect of financial performance of accommodation and food & beverage sub-sector on the sectoral balance sheets of Central Bank of Turkish Republic from the years 2012, 2013 and 2014, by means of comparative financial statements analysis method. In the process of analysis, it will be tried to explain the financial position of sector and results of transactions by benefiting from the financial statements -balance sheet and income statement- and evaluating the sub-sector of accommodation and food & beverage services with the comparative statements analysis method; by this way, the results of the study may shed light on decisions that may be taken in the future.

## 1. Literature

Analyzing financial reports and statements is necessary to understand where the numbers come from, how to be arranged and presented, what they mean, what they measure and how they are used. According to Hales (2005), there are two ways to explain this. First; the numbers in the statements are used in business to measure financial performance and seen as a management tool. The second one is financial management cycle. Financial management cycle is important to understand how the numbers are occurred and how they are used in business transactions.

When literature was researched, it has been seen that researches done on the other sectors by using financial analysis method, however, there were not found so much research on accommodation sector.

Temizer (2015), in his study, researched whether there is a relationship between the market value and the ratios used in financial analysis or not, and it has been concluded that there was not a significant relationship.

Karadeniz ve Kahiloğulları (2013), at the end of their study, on five-star hotel businesses operating in The Mediterranean Region of Turkey, determined that the comparative statement analysis was mostly used analysis method.

Boksova, Horak and Randakova (2015), in their study, have researched the automotive businesses operating Czech Republic, with financial statement analysis method. The information used in the research were from the years 2011, 2012 and 2013. At the end of the research it has been concluded that the positions of the financial statements of automotive businesses, operating in Czech Republic, were much more explanatory when compared to the other sectors in the country.

## 2. Methodology

Comparative financial statement analysis, which was used in the research, is a method that the financial statements are evaluated in certain periods (Weygandt, Kimmel & Kieso, 2012). Comparative financial statement analysis is a dynamic analysis. Comparative financial statement analysis is more purposeful type owing to the fact that the items of comparative financial statements have been tackled, presenting increase and decrease in time, not the relationship between the items taking part in financial statements which were ordered in a specific date (Aydın, Başar & Coşkun, 2007).

When the balance sheets, ordered in different dates, is shown together, it might not be possible to see the changes in balance sheet items at first glance and to establish a significant relationship between the numbers. But when the increases and decreases are calculated and shown separately, besides changes in the balance sheet items become clear, the way, also will be shown for interpretation (Akgüç, 2013). It is needed that the information of at least two periods, increases and decreases in income statements to be calculated. The calculation that will be used in the analysis might be formulated as follows (Jagels & Coltman, 2004):

$$\text{Total Change} = \text{Final Period} - \text{Base Period}$$

$$\text{Percental Change} = \frac{\text{Total Change}}{\text{Base Period}} \times 100$$

The information used in the research was obtained from the sector balance sheets published annually by Central Bank of Turkish Republic.

The sub-sectors accommodation and food & beverage, researched in the study, is consisting of 493 businesses, moreover, the balance sheets and income statements of this sector were from the years 2012, 2013 and 2014. In the study, it has been tried to interpret the total and ratio changes occurred in the items taking part in this statements by having been calculated.

## 3. Findings

The results of comparative statement analysis which belong to sector balance sheets and income statements of accommodation and food service sub-sector are tabularized in **Table 1**.

While the results were being interpreted, especially the variation occurred on main items were used as base.

**Table 1.** The comparative analysis of assets of accommodation and food service sub-sector ( thou. TL)

Balance Sheet	2012	2013	2014	2012-2013		2012-2014	
	Total	Total	Total	Change		Change	
Assets				Total	%	Total	%
<b>I-Current Assets</b>	4.945.023	6.947.460	8.602.627	2.002.437	40,49	3.657.604	73,96
<b>A-Liquid Assets</b>	1.733.590	2.453.537	2.691.565	719.947	41,53	957.975	55,26
<b>B-Financial Assets</b>	19.284	27.799	50.346	8.515	44,16	31.062	161,08
<b>C-Receivables</b>	1.084.350	1.541.408	2.110.917	457.058	42,15	1.026.567	94,67
<b>D-Other Receivables</b>	681.463	948.267	1.320.196	266.804	39,15	638.733	93,73
<b>E-Inventories</b>	821.530	1.137.079	1.450.632	315.549	38,41	629.102	76,58
<b>F-Construction and repair costs spread over years</b>	94.533	230.231	142.530	135.698	143,55	47.997	50,77
<b>G-Short term prepaid expenses and accrued income</b>	111.910	84.321	115.284	-27.589	-24,65	3.374	3,01
<b>H-Other current assets</b>	398.359	524.814	721.154	126.455	31,74	322.795	81,03
<b>II-Long Term Assets</b>	14.210.839	18.026.316	22.514.415	3.815.477	26,85	8.303.576	58,43
<b>A-Receivables</b>	54.852	117.068	78.218	62.216	113,43	23.366	42,60
<b>B-Other Receivables</b>	204.573	445.038	504.274	240.465	117,54	299.701	146,50
<b>C-Financial long term assets</b>	1.501.951	2.165.770	2.502.610	663.819	44,20	1.000.659	66,62
<b>D-Tangible long term assets</b>	10.770.685	13.117.081	16.569.123	2.346.396	21,79	5.798.438	53,84
<b>E-Intangible long term assets</b>	1.550.980	1.961.139	2.442.848	410.159	26,45	891.868	57,50
<b>F-Assets subject to amortization</b>	1.610	1.637	1.825	27	1,68	215	13,35
<b>G-Long term deferred income and accrued expenses</b>	114.559	208.380	406.010	93.821	81,90	291.451	254,41
<b>H-Other long term assets</b>	11.626	10.200	9.504	-1.426	-12,27	-2.122	-18,25
<b>Total Assets</b>	19.155.863	24.973.777	31.117.042	5.817.914	30,37	11.961.179	62,44

In **Table 1**, there are the results related to the comparative statement analysis of assets of balance sheet which belong to accommodation and food service sub-sector. According to the facts, while a 30,37 % increase in sector total assets in 2013, compared to 2012, was observed, the increase in 2014 occurred as 62,44%. While a significant part of the increase has resulted from the tangible long term assets (53,84%) and financial long term assets (66,62%); the other part has also resulted from receivables (94,67%) and liquid assets (55,26%) within current assets. It is being considered that the variation on receivables within

current assets might be resulted from rise of sales on credit. It is also being considered that the sector went for expansion by investing as the reason why the variation on the tangible long term assets within long term assets.

**Table 2.** The comparative analysis of liabilities of accommodation and food service sub-sectors. (thou. TL)

Balance Sheet	2012	2013	2014	2012-2013		2012-2014	
	Total	Total	Total	Change		Change	
Liabilities				Total	%	Total	%
<b>I-Short term liabilities</b>	4.862.290	6.412.722	7.542.282	1.550.432	31,89	2.679.992	55,12
<b>A-Financial liabilities</b>	1.384.399	1.804.477	2.102.518	420.078	30,34	718.119	51,87
<b>B-Trade liabilities</b>	1.139.813	1.704.534	2.059.156	564.721	49,55	919.343	80,66
<b>C-Other liabilities</b>	1.275.259	1.339.349	1.781.748	64.090	5,03	506.489	39,71
<b>D-Advances received</b>	711.444	1.097.041	1.118.126	385.597	54,20	406.682	57,16
<b>E-Construction and repair expenses spread over years</b>	60.605	145.242	48.507	84.637	139,65	-12.098	-19,97
<b>F-Taxes payable and other fiscal liabilities</b>	119.307	128.304	164.406	8.997	7,54	45.099	37,80
<b>G-Allowances</b>	64.299	59.890	65.713	4.409	6,86	1.414	2,20
<b>H-Short-term deferred income and accrued expenses</b>	81.816	109.313	173.269	27.497	33,60	91.453	111,78
<b>I-Other short term liabilities</b>	25.334	24.567	28.836	-767	3,03	3.502	13,82
<b>II-Long term liabilities</b>	6.392.842	10.363.167	14.041.189	3.970.325	62,11	7.648.347	119,64
<b>A-Financial liabilities</b>	5.622.968	9.294.518	12.823.910	3.671.550	65,30	7.200.942	128,06
<b>B-Trade liabilities</b>	160.988	203.212	333.342	42.224	26,23	172.354	107,06
<b>C-Other liabilities</b>	244.012	461.645	418.847	217.633	89,19	174.835	71,65
<b>D-Advance payments received</b>	230.086	226.277	251.107	-3.809	1,66	21.021	9,14
<b>E-Allowances</b>	53.635	54.396	60.137	761	1,42	6.502	12,12
<b>F-Long-term deferred income and accrued expenses</b>	1.610	1.637	1.825	27	1,68	215	13,35
<b>G-Other long term liabilities</b>	114.559	208.380	406.010	93.821	81,90	291.451	254,41
<b>III-Shareholders</b>	7.900.729	8.197.887	9.533.570	297.158	3,76	1.632.841	20,67

<b>equity</b>							
<b>A-Paid-in capital</b>	6.513.883	7.263.730	8.084.651	749.847	11,51	1.570.768	24,11
<b>B-Capital reserves</b>	326.629	454.850	580.909	128.221	39,26	254.280	77,85
<b>C-Profit reserves</b>	595.489	684.708	714.019	89.219	14,98	118.530	19,90
<b>D-Retained earnings</b>	1.822.513	2.381.119	2.593.882	558.606	30,65	771.369	42,32
<b>E-Losses from previous years (-)</b>	(2.130.351)	(2.121.742)	(3.067.612)	8.609	-0,40	-937.261	44,00
<b>F-Net profit (Loss) for the period</b>	772.565	(464.779)	627.719	-1.237.344	160,16	-144.846	-18,75
<b>Total Liabilities</b>	19.155.863	24.973.777	31.117.042	5.817.914	30,37	11.961.179	62,44

The results of the comparative statement analysis of liabilities of the balance sheet, which belong to accommodation and food service sub-sector, have been shown in table 2. When the liabilities of the sector probed, 30,37% increase in 2013, compared to 2012, and 62,44% increase in 2014 were observed. In 2014, the expansion occurred in the sector has resulted from the long term liabilities with 63,94%; from the short term liabilities with 22,41% and from the shareholder's equity of the sector with 13,65%. When the variations were researched on short term liabilities in 2014, compared to 2012, it has been seen that the variations on the items; mainly trade liabilities (80,66%), financial liabilities (51,87%), advances received (57,16%) and short term deferred income and accrued expenses (111,78%) were much more higher.

When the variations on the long term liabilities were analyzed, it could be seen that the most significant variation was on the financial liabilities with the rise of 7.200.942.000 TL in 2014, compared to 2012. Also, it has been observed that increases occurred in the items of other long term liabilities (291.451.000 TL) and financial liabilities (172.354.000 TL).

**Table 3.** Accommodation and food service sub-sectors' income statement (thou. TL)

Income Statement	2012 Total	2013 Total	2014 Total	2012-2013		2012-2014	
				Change		Change	
				Total	%	Total	%
<b>A-Gross sales</b>	8.243.371	9.709.235	11.954.504	1.465.864	17,78	3.711.133	45,02
<b>B-Sales discounts (-)</b>	(85.405)	(125.742)	(239.156)	-40.337	47,23	-153.751	180,03
<b>C-Net sales</b>	8.157.965	9.583.493	11.715.348	1.425.528	17,47	3.557.383	43,61
<b>D-Costs of sales (-)</b>	(5.871.436)	(6.898.598)	(8.602.785)	-1.027.162	17,49	-2.731.349	46,52
<b>Gross profit or loss</b>	2.286.529	2.684.894	3.112.562	398.365	17,42	826.033	36,13
<b>E-Operating expenses (-)</b>	(1.452.494)	(1.673.343)	(1.954.376)	-220.849	15,20	-501.882	34,55
<b>Operating profit or loss</b>	834.034	1.011.551	1.158.186	177.517	21,28	324.152	38,87
<b>F-Income and profit from other ordinary operations</b>	991.111	1.635.831	1.696.309	644.720	65,05	705.198	71,15
<b>G-Expenses and losses from other ordinary operations (-)</b>	(552.942)	(2.075.870)	(1.268.825)	-1.522.928	275,42	-715.883	129,47

<b>H-Financial expenses (-)</b>	(435.201)	(951.397)	(809.680)	-516.196	118,61	-374.479	86,05
<b>Ordinary profit or loss</b>	867.001	(379.885)	775.990	-1.246.886	143,81	-1.642.992	-189,50
<b>I-Extraordinary revenues and profits</b>	123.528	143.363	350.627	19.835	16,06	227.099	183,84
<b>J-Extraordinary expenses and losses (-)</b>	(86.491)	(117.601)	(343.062)	-31.110	35,97	-256.571	296,64
<b>Profit or loss for the financial year</b>	904.039	(354.123)	783.556	-1.258.162	139,17	-120.483	-13,33
<b>K-Allowance for taxation on current period profit and other legal liabilities. (-)</b>	(131.473)	(110.655)	(155.837)	-242.128	184,17	-24.364	18,53
<b>Net period profit or loss</b>	772.565	(464.779)	627.719	-1.237.344	160,16	-144.846	-18,75

The income statement of accommodation and food service sub-sector has been shown in **Table 3**. When the table was researched, it has been seen that the net sales of the sector has shown an increase in every year. While this increase was 17,47% in 2013, compared to 2012; the ratio occurred as 43,61% in 2014. It could be seen that a definite increase occurred in cost of sales in the years that analysis contained. While an increase has occurred in 2013, compared to 2012, in cost of sales; this ratio has become 46,52% in 2014. Sector's gross profit has occurred as 2.286.529.000 TL in 2012, 2.684.894 in 2013 and 3.112.562.000 TL in 2014. The increase ratio of gross profit of sector was 36,13% in 2014, compared to 2012.

When the ordinary profit and loss researched, it is being seen that the sector has made a profit in 2012; on the other hand, has made loss in 2013 and 2014. The most important reason for this situation could be considered as the increase of 118,61% on the financial expenses items in 2013, compared to 2012. Also, this increase on financial expenses items has occurred as 86,05% compared to 2012.

While the increase on ordinary profit or loss and extraordinary revenue and profits has occurred as 183%; the increase on the extraordinary expenses and losses items has occurred as 296,64%. When the profit or loss for the financial year of the sector is researched, it can be understood that in 2012 there was 904.039.000 TL profit; but on the other hand there was 354.123.000 TL loss in 2013. Also, sector has made 783.556.000 TL profit in 2014.

It has been observed that, when the income statement of the sector was researched, the net profit for the period in 2012 was higher than the other years. The decrease of 160,16% has occurred on the net profit for the period in 2013, compared to 2012, and sector has made 464.779.000 TL. The net loss for the period has occurred as 144.846.000 TL in 2014 when the decrease was 18,75 %.

## Conclusions

It can be said that accounting and financial reports are essential and important in the meaning of business based or sector for the users to reach the information that they need. In order to

interpreting these reports, which can be prepared as financial statements, some methods are being needed. Comparative statement analysis, one of these methods, provides interpreting reports by comparing the reports of given period.

In this study, it was comparatively interpreted that the balance sheets and income statements, from the years 2012, 2013 and 2014, of accommodation and food service sub-sector, by using comparative statement analysis.

When it is researched the assets side of the balance sheet of 2013 and 2014, compared to 2012, an increase of 73,96% on the current assets has occurred in 2014; also 58,43% increase on long term assets has occurred. One of the items that provide this increase on the current assets is receivables. It is being considered that the variation on the receivables within the current assets could be resulted from the increase on the total of sales on credit. Tangible long term assets are the leading item that providing increase on the long term assets. It is also being considered that the sector went for expansion by investing as the reason why an increase on the tangible long term assets within long term assets.

When it is researched that the liabilities side of the balance sheet of 2012,2013 and 2014, 55,12% increase on the short term liabilities in 2014, compared to 2012, is being observed, on the other hand this increase ratio has occurred as 119,64% on long term liabilities. The increase on the shareholder's equity has been 20,67%. It has been concluded that the expansion on the sector has resulted from the long term liabilities. On the expansion occurred, short term liabilities and shareholders' equity follows long term liabilities.

In this research, it has been concluded that, on the comparative statement analysis of sector income statements, net sales have provided increase within the compared years. However, for the reason why there has not occurred an increase on the net profit despite the increase on the net sales, it can be given that the increase of the high ratio seen on cost of sales.

## References

- Akgüç, Ö. (2013). *Mali Tablolar Analizi*. İstanbul: Arayış Basım ve Yayıncılık.
- Aydın, N., Başar, M., & Coşkun, M. (2007). *Finansal Yönetim 2. Baskı*. Eskişehir: Genç Copy Center.
- Bokšová, J., Horák, J., & Randáková, M. (2015). Financial Statements of Companies in the Czech Republic. *Procedia Economics and Finance*, 430-436.
- Çabuk, A. (2013). Finansal Analiz Teknikleri. S. Önce içinde, *Finansal Tablolar Analizi* (s. 46-79). Ankara: Anadolu Üniversitesi Yayınları.
- Hales, J. A. (2005). *Accounting and Financial Analysis in the hospitality industry*. USA: Elsevier Butterworth-Heinemann.

Jagels, M. G., & Coltman, M. M. (2004). *Hospitality Management Accounting-Eight Edition*. New Jersey: John Wiley & Sons, Inc.

Karadeniz, E. & Kahiloğulları, S. (2013). Beş Yıldızlı Otel İşletmelerinde Finansal Oranların Kullanımı: Akdeniz Bölgesi'nde Bir Araştırma. *Seyahat ve Otel İşletmeciliği Dergisi*, 10(3).

Temizer, Z. (2015). Finansal analizde kullanılan oranlar ile firma değeri ilişkisi: BIST'te bir uygulama. Yüksek Lisans Tezi. Trabzon: Karadeniz Teknik Üniversitesi Sosyal Bilimler Enstitüsü.

Weygandt, J. J., Kieso, D. E., Kimmel, P. D., & DeFranco, A. L. (2009). *Hospitality Financial Accounting*. New Jersey: John Wiley & Sons, Inc.

Weygandt, J. J., Kimmel, P. D., & Kieso, D. E. (2012). *Financial Managerial Accounting*. USA: John Wiley & Sons, Inc.

