

The case study presented is a premium hotel business whose shares are listed on the Hong Kong Stock Exchange. The business operates in Hong Kong, Australia, USA and other Asian countries.

The following main topics were covered in **Workshop 1**:

- **Ethics**

The Code of Ethics in the context of the ethical case study was examined. All five key principles of the Code (integrity, objectivity, professional competence and due care, confidentiality and professional behaviour) were considered from the perspective of the individuals mentioned in the case study or from a CPA perspective.

- **Porter's Five Forces**

Based on the Porter's five forces model, a market analysis of the hotel industry was carried out. The power of each force was examined and an assessment of the overall profitability of the industry was conducted based on the market analysis.

- **Business strategy**

Different proposed strategy options for the company were evaluated to recommend the optimal strategy to adopt as the main business strategy for the company. Different ways in which a particular strategy may be implemented were discussed and the positives and negatives for each assigned strategy were evaluated.

- **Financial performance**

An analysis of the profitability of the company was conducted with the support of various key ratios.

- **Costing**

- Activity based costing

The use and relevance of activity based costing (ABC) were discussed. ABC is usually associated with companies that have a large proportion of overhead costs in the total cost structure. The way how the company could introduce a system of ABC and whether the ABC would provide information that is of value to management was discussed.

- Life cycle costing

Life cycle costing concept was discussed. Whether the life cycle costing concept may be of use in the hotel business was looked at, given that regular renovations are an important feature of the business. Life cycle costing is associated mainly with costing products from design stage to the end of the product's life, or costing for an operations centre when there will be substantial decommissioning costs or disposal costs at the end of its life. Life cycle

costing is a method of costing that recognises expenditures over the full economic life of an item.

- **Pricing**

The purpose of setting a target price was discussed. Having established the target price, a target cost should be identified that will provide the required return or profit at the target price. Cost plus pricing was also looked at whereby a target profit margin is added to an actual cost or budgeted cost to obtain the selling price. Cost plus pricing may be used to price contracts or jobs, where the work is non-standard and standard market prices do not exist.