Master Thesis

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The Impact of New Accounting Standards for Leases and Revenue Recognition on the Real Estate Strategy of Listed Hotel Firms

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Abstract

Newly issued accounting standard revisions of the IASB and FASB concerning revenue recognition and leases have been received with great concerns by the hotel industry. This Thesis reviews what the combined effect is of these new accounting standards on the real estate strategies of listed hotel companies. A content analysis of corporate communications about the evaluation of the impact of the new standards and the future strategy is executed, with an additional comparison between the US and Europe. Leases are reduced by use of spin-offs to real estate investment trusts (REITs). This is also achieved by buying back leased assets and/or replacing them by franchising or management agreements, especially in Europe. Additionally, an increased popularity of variable lease contracts is observed and renegotiations of the contracts play a viable role in the changing real estate strategy. The lease accounting revisions are most important for changes in strategies. Opposing examples have been found as well, where the standards' impact has been evaluated as significant but changes in the real estate strategy have not been communicated. This study provides an industry-wide comparison for decision makers. The findings add to Positive Accounting Theory by applying an approach that goes beyond quantitative methods, which assists accounting standard setters as well.

1 Introduction

Operating lease, franchise and hotel management contracts have become more important to listed hotel firms over the last couple of decades, since the asset-light fee-oriented strategy (ALFO) has emerged in the lodging industry. This strategy has resulted in slimmer balance sheets of the mayor hotel chains worldwide (Sohn, Tang, & Jang, 2013). The in 2016 issued accounting standards are a product of increasing pressure on the quality of financial reports. A cooperation between IASB and FASB resulted in the standards on leases IFRS 16 and ASC 842 (Burgess & Agnew, 2016). The announced standards on revenue recognition IFRS 15 and ASC 606 for contracts with customers, such as franchise and management agreements, are another renewal which is closely related to lease standard revisions. Early adoption of IFRS 16 requires adoption of IFRS 15 as well (IASplus, 2017b).

This study investigates the effect of the new accounting standards for leases and revenue recognition on the real estate strategy of listed hotel firms. The issue is approached from an ex-ante perspective since the accounting standards are not effective until 2018. Both constructed capitalization studies (Durocher, 2008; Tahtah & Roelofsen, 2016) and the application of real options firm (De Soto-Camacho & Vargas-Sánchez, 2015) point towards possible changes in real estate strategy. Arimany, Fitó, & Orgaz-Guerrero (2015) conclude that the impact of economic consequences of the new lease standards could result in an increased use of management contracts in the hotel industry. However, the issues related to new revenue recognition standards which apply to franchise and management agreements are not considered.

Corporate disclosure about the estimated impact of new accounting standards and the disclosure of future strategy are compared, by means of content analysis, in order to find an answer to the question: **What is the combined effect of new accounting standards for leases and revenue recognition on the real estate strategies of listed hotel companies?**

As a result of an in-depth literature research, it can be inferred that this perspective has not been adopted so far in former research. The consideration of both standards on leases and revenue recognition helps to get an understanding of the implications of the new standards combined. Most studies within positive accounting theory apply quantitative measures and focus on accruals (Scott, 2012). The method of research on operating lease in such studies is based on constructive capitalization. In contrast to that, a qualitative and partly interpretive approach is applied in this Thesis. Content analysis goes beyond constructive capitalization, i.e. beyond the implications on financial statements. Understanding the strategic implications of the new accounting standards can form a base for future research on the actual implications of the new standards from an ex-post point of view.

This study contributes to a better understanding of the implications of the new standards especially for hotel industry investors, boards, managers and standard setters. As an example, Marriott International is still in the process of estimating the implications of the new standards as mentioned in their Q3 financial statements (Bauduin, 2016). This, along with concerns pronounced by the industry, proves the practical relevance for both practitioners and financial statement users, especially when considering the contemporariness of the topic.

Developments in real estate strategies in the hotel industry are explained and factors influencing the real estate description are examined. Hereafter the updates of accounting for leases and contracts with customers are explained and the academic literature on the implications of the standards is reviewed in chapter 2. Research questions are formed based on former academic work and the content of the new standards in chapter 3. Chapter 4 deals with the method in more detail. The results are presented in chapter 5. In the end the conclusion rounds up this Master Thesis in chapter 6.

2 Literature review

2.1 Factors influencing real estate strategy

Hotels are often managed by a company that does not own the building and/or brand. Based on the level of control needed over an entity a hotel chain can choose between full ownership, joint venture, leasing contract, management contract, marketing consortium and franchise (Ivanova, Ivanov, & Magnini, 2016). Ivanova et al. (2016) provide an overview of the different aspects that are considered in the decision (see Figure 1). Not only the level of control over the property is important, know-how and brand name also play an important role in the decision between non-equity strategies. The different strategies are applied by hotel chains for expanding (international) operations. The mode of entry is a field of studies that has been influenced much by the work of Contractor and Kundu (1998). They have created a framework of analysis of the drivers for the different entry modes. Ivanova et al. (2016) added leasing as one of the possible entry modes to the model of Contractor and Kundu (1998). The latter, found that country, environment and firm-specific factors play a role in defining the mode of entry of hotel chains.

Table 16.1 Type of contract and degree of control

Basic assets	*Mechanisms of control on assets*					
	Equity		*Non-equit*			
	Full ownership	*Joint venture*	*Leasing contract*	*Management contract*	*Marketing consortium*	*Franchise*
Building	Total control	Medium-high control	Without control over the asset	Without control over the asset	Without control over the asset	Without control over the asset
Fixed assets and equipment	Total control	Medium-high control	Medium-high control	Medium control	Without control over the asset	Without control over the asset
Know-how	Total control	Medium-high control	Medium-high control	Medium control	Medium-low control	Medium-low control
Reservation centre	Total control	Total control	Total control	Total control	Total control	Total control
Brand name	Total control	Medium-high control	Total control	Medium-high control	Medium-high control	Medium control

Source: Adapted from Fernandez and Gonzalez (2008) and expanded by the authors.

Figure 1: Entry modes (Ivanova et al., 2016, p. 195)

Spencer and Webb (2015) find evidence, in a review of lease accounting literature, of two reasons for operating leases: on the one hand operating leases are used opportunistically and on the other hand as a result of efficient contracting. Evidence for both views is found in academic literature which investigates the drivers for operating leases in the hotel industry. Koh's and Jang's (2009) findings point in two directions, confirming the distinction made by Spencer and Webb (2015). Namely, operating leases are used in case of a need for financing (lower internal funds and higher debt ratios) and as a management strategy for successful and large hotel firms (less financial distress). Opposed to Koh and Jang (2009) the author'sLee, Huh and Lee (2015) concluded that operating leases and holding long-term debt is not complementary for hotels. Furthermore they found operating leasing to be more applied in contracting compared to expanding business cycles. Whittaker (2008) examined the impact of sale-and-lease-back and sale-and-manage-back constructions in the hotel industry. He states that the use of management contracts is based on the need of hotel companies to focus on operations, to have a more stable income, less risks and to avoid liabilities (Whittaker, 2008). According to Whittaker (2008), variable lease contracts provide partly the same possibilities because they remove debt from the balance sheet. The shift from ownership-based models towards fee-based models, which include franchising and management contracts, has been a successful strategy in terms of firm value for international hotel chains (Sohn et al., 2013). Sohn et al. (2013) conclude, and confirm Whittakers (2008) claims, that lower operating risk due to the ALFO strategy reduces earnings volatility and increases operating profitability. In a later study Sohn et al. (2014) found that hotel firms which heavily rely on the ALFO strategy have comparably lower betas in contracting business cycles and higher betas in times of expansion.

Spencer and Webb (2015) named other reasons for leasing such as tax benefits and management incentives. These factors were not included in hotel industry specific studies. Other non-academic literature suggests motives for operating leasing: it brings the lessee strategic advantages over owning a hotel and in order to fit the increasingly used constructions with REITs (Rushmore, 2002).

Accounting standards have not been mentioned in the above reviewed literature. The model of De Soto-Camacho and Várgas-Sanchez (2015), which is built on the research of Contractor and Kundu (1998), is useful in determining the role of accounting standards in real estate strategy decisions. De Soto-Camacho and Várgas-Sanchez (2015) have developed a framework to analyze the effect of exogenous and endogenous uncertainty to the mode of entry. They analyzed how real options are used when the decision of the mode of entry is re-evaluated based on new information which reduced uncertainty. They found that higher uncertainty is related to fewer investments in modes of entry with high control which require fewer resources. Strategic options can be employed when the uncertainty disappears, i.e. further commitments can be made when less risk is perceived (De Soto-Camacho & Vargas-Sánchez, 2015).

The same reasoning based on real options theory can be applied to approach the change in accounting standards. A possible change in accounting standards is an example of regulations. These belong in the category "exogenous uncertainty" in the framework of De Soto-Camacho and Vargas-Sánchez (2015). If, sparked by new accounting standards, one or several of the strategies turn out to be less favorable, the company can decide to stop or reduce the investments in that particular project. This is depending on the flexibility of that particular strategy.

Concluding, reasons for choosing operating lease and fee-based strategies can be based on the underlying characteristic of the country, environment and the firm (Contractor & Kundu, 1998). Firms can prefer non-equity strategies due to opportunistic behavior in order to establish off-balance sheet financing (Koh & Jang, 2009; Spencer & Webb, 2015; Whittaker, 2008). Opposing reasons are company goals such as control, profitability, firm value, stable income and business cycles (Ivanova et al., 2016; Lee et al., 2015; Sohn et al., 2013, 2014; Whittaker, 2008) or to adapt to demands of third parties (Rushmore, 2002). New accounting standards are a factor as well, since they can affect the decisions in real estate strategy based on real options theory as an exogenous uncertainty.

2.2 New accounting standards for leases and implications

In order to let financial statements more faithfully represent the substance of economic phenomena of operating leases, the Financial Accounting Standards Board and International Accounting Standards Board (the boards) bundled their efforts (FASB, 2016). This cooperation led to the newly introduced standards on leases IFRS 16 and ASC 842 (Burgess & Agnew, 2016), which are effective from the 1st of January 2019 and the 15th of December 2018 respectively (FASB, 2016; IASB, 2016). Both boards have presented similar guidance, except for the income and cash flow statement. The boards agree that a right-of-use asset and a lease liability should be reported on the statement of financial position, independent from the type of lease. This means that almost all lease contracts that exceed a twelve month maturity will be capitalized. Important to note is the fact that variable lease payments based on performance obligations such as revenue or profit are not included in the right-of-use asset and are expensed as incurred. (IASB, 2016; MossAdams, 2016).

Barone et al. (2014) concluded based on a review of existing literature, that ex ante analyses by use of the constructive capitalization method[1] derived a "material impact on financial ratios such as profitability and financial stability" (2014, p. 45). One of the reviewed papers included the lodging industry. Explicitly, Durocher (2008) analyzed the industry segment Retail and Lodging in Canada[2] and found a significant increase in debt-to-asset ratio, decrease in current ratio and earnings-per-share when operating leases were constructively capitalized. However, return on assets (ROA) and return on equity (ROE) were not significantly different compared to ratios based on current accounting practices.

Tahtah and Roelofsen (2016) used the same type of method when analyzing the impact of IFRS 16 on different industries worldwide. They found a median increase in debt for hotels of 16%. 50% of the entities investigated had an increase in debt of above 25%. And the median increase in EBITDA was 9%. These figures are lower compared to the retail industry (resp. 98%, 35% and 41%). Leverage, calculated as net debt over EBITDA, increased from 2.15 to 2.55 (median) and solvency decreased from 40.3% to 37.5% (median). The changes in leverage and solvency were again more extreme for the retail industry (resp. 1.17-2.47; 40.8%-27.5%). This would suggest that the retail industry is more affected by the new standard compared to the hotel industry. This suggests that the results of the industry segment Retail and Lodging used by Durocher (2008) are an overestimation of the impact on the hotel industry separately. Nevertheless, Tahtah and Roelofsen (2016) found the same trend of increasing leverage and decreasing solvency.

Arimany et al. (2015) compared comment letters of nine hotel chains on the suggested lease standards with the financial implications based on a constructive method. This analysis concluded that the topics discussed in the comment letters align with the expected impact on financial ratios. Leverage, liquidity and return are significantly affected when constructively

[1] Adding the present value of future payments of a lease contract to the balance sheet.
[2] IFRS adoption in 2011, the paper was based on the guidance available on IFRS 16.

capitalizing operating leases. Arimany et al. (2015) further suggested a possible decrease in operating leases and a possible increase in management contracts in the hotel industry.

To sum it up, the hotel industry's financial ratios such as leverage, solvency and liquidity are likely to be negatively affected by capitalizing operating leases. Former research did not provide conclusive findings about ROA and ROE, since Arimany et al. (2015) found a significant impact amongst hotels that sent a comment letter and Durocher (2008) did not find significant decreases in the industry segment Retail and Lodging. The predictions by CPA firms do suggest similar difficulties for the hotel/leisure industry. The specific findings for the hotel industry relate to the findings of studies with a broader sample. Thus, for this Thesis it can be assumed that the accounting regulation for leases will have a negative impact on the performance ratios of hotel chains.

2.3 New accounting standards for revenue recognition and implications

The joint contributions of FASB and IASB resulted in the new accounting standards for revenue from contracts with customers respectively ASU 2014-09 and IFRS 15, issued in May 2014 (FASB, 2015; IFRS, 2017). The effective date was deferred with one year for public companies to after December 2017 by Topic 606 (FASB, 2015). The objectives of the cooperation was to improve existing requirements, provide a robust framework, improve the comparability and preparations of financial statements (IASplus, 2014). The standards provide a five-step model to determine the contracts with customers: the performance obligations, the transaction price, allocation and recognizing revenue. This model displaces all other guidance on revenue recognition. In a specific explanation for the travel, hospitality and leisure sector, Deloitte states that "significant changes to the profile of revenue and, in some cases, cost recognition" can occur due to the new revenue recognition standards (2014, p. 1). In a comment letter Marriott International expresses their worries which could be the same for other hotel chains. Berquist (2010) states: "we are concerned about how we would apply the proposed revenue recognition model to our long term management and franchise agreements and the subjectivity involved in determining the transaction price" (2010).

Revenue from management and franchise agreements is to be capitalized on the balance sheet under a contract asset if the revenue receivable is not only depending on the passage of time, but also depends on a performance obligation. On the other side, a contract liability is representing the performance obligation. (IASplus, 2017a; Khamis, 2016).

The amount to be considered as transfer price is debatable. Often a base fee and an incentive fee are included in a management contract. So far, the fees are recognized as they occur. Taking Marriott (2010) as an example, the base fees are recognized each week, incentive fees are recognized based on quarterly performance. In the newly issued standards incentive fees are recognized in the transaction price based on a judgement of the extent of certainty that it occurs (Deloitte, 2014). This requires hotel firms to develop methods for estimation and re-estimation (Altman, Dziczkowski, Anderson, & Bomchill, 2016).

A further issue is the significant requirement of disclosure. The report of Altman et al. states: "Additional disclosures include […] disaggregation of revenue, certain information about changes in contract asset and liability balances and contract costs, and information related to the amount of the transaction price allocated to performance obligations not yet satisfied" (2016, p. 2). These extra requirements and the difficulties of correctly estimating the contract price are concerns for hotel firms as it incurs costs. Despite costs, concerns about a mismatch between revenue recognition and economic substance and the clarity of the standard is expressed (Berquist, 2010).

Due to the concerns raised by users and audit firms a task force has been implemented by the American Institute for CPA's (Ernst&Young, 2016). The Hospitality Entities Revenue Recognition Task Force (AICPA, 2017) is to provide explanations and examples on different issues. The three first issues concern "Franchise Revenue Arrangements", "Managed Hotels" and "Leased and Owned Hotels". These issues are all related to the real estate strategy.

Academic literature on the impact of the new revenue recognition standards is rare compared to coverage about the new standards for leases. Rutledge, Karim and Kim (2016) expect a higher chance for earnings management to occur via deferred taxes, judgements and estimates due to the new revenue recognition standards. Moreover, the comparability within the industry is reduces with the new standards since guidance is less specific (Rutledge et al., 2016).

Concluding, the management scrutiny stems from estimations when a performance obligation is included in the contract with a customer. This could lead to opportunistic behavior and a risk for the company of misstatements.

3 Research questions

The new standards are to be applied in the future and changes in strategies can only be observed in the statements of the companies. Hence, this research has a qualitative nature and the data is mostly narrative. Hypothesis cannot be tested similar to a quantitative analysis. Instead, this study provides guidance for future research on the relationship between the accounting revisions and strategy once the standards are applied. Due to this explorative character, research questions are developed in order to get a better understanding of the effects. The possible changes in real estate strategy and the research questions are derived by combining outcomes of former research.

Based on real option theory, accounting standards are a factor of uncertainty as it belongs to the legal environment of a company. The updated accounting standards on leases and revenue recognition are a materialization of uncertainty. Thus, a re-assessment of the real estate strategy mix is expected.

Former research partly provided evidence of an opportunistic use of operating leases in the hotel industry (Koh & Jang, 2009; Whittaker, 2008) in combination with the outcomes of the application of constructive capitalization methods (Arimany et al., 2015; Durocher, 2008; Tahtah & Roelofsen, 2016) it is expected that listed hotel firms do react to the new accounting standards for leases by adapting the real estate mix. It is the Boards intention to reduce off-balance sheet accounting. On the other hand, former research provided evidence on non-opportunistic use of operating leases as it is a result of efficient contracting (Koh & Jang, 2009; Lee et al., 2015; Rushmore, 2002; Sohn et al., 2013, 2014). Spence and Webb (2015, p. 1009) suggest that, if off-balance sheet accounting is not the motivation for a firm to use operating leases, the firm might show a “minimal response” to the new lease standards. Opposing to that, even if hotel companies did engage in operating contracts without acting opportunistically, the impact of the new standards can affect the balance sheet significantly. This was proven by constructive capitalization, which would be an argument for changing the real estate strategy even if it was a result of efficient contracting. Hotel companies are expected to reduce the impact of capitalization of operating leases. Therefore, the first expected reaction is: *The amount of operating leases is reduced in the future.*

After FAS No. 13 companies changed parts of existing contracts to switch from financial leasing to operating leasing (Imhoff Jr & Thomas, 1988). The flexibility within the standard provided reason to change the legal form of the contracts. This could happen with the new lease accounting standards as well. Both IFRS and US GAAP do not obligate capitalization of variable payments based on sales. The operator has a natural hedge as indicated by Accor in a discussion about IAS 17 (Stabile, 2011). Short-term lease are exempt from capitalization as well. It is not viable to lease properties for one year, from a control perspective. Thus, short-term lease contracts are not expected to be used for real estate strategies. Hence, the second expected reaction is: *Operating lease contracts include more variable payments based on performance in the future.*

A shift towards variable lease contracts is expected, the step towards a hotel management agreement becomes smaller. This means that operators earn a percentage of the revenue and profit, instead of paying the lessor for the use of the property. On the basis of cash flows, variable franchise agreements are comparable to hotel management agreements, both payments are based on performance in terms of revenue and/or profit. A shift towards management agreements is more likely compared to a shift towards franchising since the level of control of management agreements is similar to leasing (Ivanova et al., 2016). The new revenue recognition standards require capitalizing variable payments. The potential risk of misjudgment and impairment could be mitigated by establishing less variable payments. However, from a principle-agent point of view this would jeopardize the confidence of the owner of the property about the long-term commitment of the managing company (the hotel chain). Moreover, the new revenue recognition standards are expected to create greater scrutiny for the managers due to the judgmental principle for performance dependent revenue (Rutledge et al., 2016), which could result in a motivation for managers to choose for management agreements over leasing. Thus, the third expected reaction is: *Operating leasing is replaced by management agreements in the future.*

Based on the three stated expected reactions above the following research question is derived.
RQ 1: Does the real estate strategy of hotel companies change due to the accounting standard revisions for leases and revenue recognition in any of the following ways? a) reducing operating leasing, and/or b) replacing fixed payment operating leasing by variable payment operating leasing, and/or c) replacing operating leasing with hotel management agreements.

Agency and signaling theory (Healy & Palepu, 2001; Smith & Taffler, 2000) provide the bridge between expected changes in strategy and narrative voluntary disclosure about these changes. The connection between the accounting standards and real estate strategy is expected to be observable in narrative disclosure. Hotel companies with relatively many leasing, franchising and management agreements are affected more. Such hotel companies are more likely to expect more severe and negative implications of the new accounting standards. Disclosure about the negative effect of the new standards would affect the capital providers' opinions about the well-being of the firm. This would force the companies to adapt to the new standards and communicate their strategy to win back the confidence of the capital providers, despite the possible problems of presenting sensitive information. Therefore, the disclosure about the implications of the accounting revisions are expected to relate to disclosures about the real estate strategy. Hence, the second research questions involves a relationship:

RQ 2: Are hotel companies that communicate expected negative implications of new accounting rules more likely to disclose changes in the real estate strategy?

SEC's staff focusses more on the "Disclosure of the impact that recently issued accounting standards will have on the financial statements of the registrant when adopted in a future period" (SEC, 2016) as announced in the Codification of Staff Accounting Bulletin. This can have a positive effect on the disclosure quantity and quality of firms adopting US GAAP. Due to more disclosure about the impact of new accounting rules the capital providers of US GAAP adopting firms are better informed and could have more concerns about the well-being of the firm. Therefore, US GAAP adopting firms are forced to disclose more about the strategy of adjusting to the new rules. Hence, the third research question focusses on the regulatory regime:

RQ 3: Are US listed hotel companies which communicate negative implications of new accounting rules more likely to change the real estate strategy compared to non-US listed hotel companies which communicate negative implications of new accounting rules?

4 Method

The research questions are answered by use of a content analysis method. This is a mostly qualitative approach and is partly based on subjective judgements, but also some quantitative measures are used to analyze the outcome of the content analysis. Content analysis on companies' narrative disclosures provides the advantage of assessing forward-looking implications. In general, quantitative approaches are exercised by academics to find the effect of accounting policies on the financial statements. Even before the implementation, quantitative approaches such as constructive capitalization or accrual based methods are used often. The application of a content analysis provides an additional step beyond these quantitative methods.

It is not expected that hotel companies would state explicitly that the changes in accounting standards affect the strategy. Hotel firms are expected to recognize the materialization of the uncertainty, estimate the impact and adapt their strategy if needed. Figure 2 depicts the steps that were expected to be disclosed.

Figure 2: Process of Disclosure

Different sources of information can be used for gathering information about corporate communications that consider the different steps. The 10K-filings and annual reports are sources for the recognition of changes in the accounting standards and its expected impact. Annual reports also offer insight in disclosed future strategies. Additional material from press releases and shareholder presentations is used as source for future strategy disclosure. This information is found on the homepage of the selected companies, specifically in press releases and investor relations sections. The time scope is on the financial years 2015 and 2016. Search inputs and sources are structurally recorded to guarantee transparency of the data assembly process. In order to determine the real estate strategy the sources have been read in search for information about the future real estate strategy. This has been executed as if the reader was a concerned investor looking for the intended direction as pronounced by the managers.

Disclosures about the impact of the two standards are collected separately. Three dimensions are used per standard: 1) whether the standard is discussed, 2) how this impacts the firm and 3) whether reasons for this impact were communicated. For the future strategy the analysis is more open (see Table 1 below).

	Accounting Standard Evaluation			Strategy
Required information	New standard discussed?	Communicated expected impact:	Communicated reasons/explanations:	Communicated strategy changes:
Data entry codes used	Yes/no	Evaluating/significant/ insignificant	Explanation sentence/summary	Summary

Table 1: Data collection Framework Disclosures

The codes were developed beforehand for some dimensions, for other more complicated issues, such as the communicated expected impact, communicated reasons and the future strategy, initial coding is applied. After all sources were collected they were analyzed systematically in the order as presented in Table 1 above. This process has been executed as suggested by Saldana (2009).

First, it was verified whether the standard was included in a chapter of the 10K / annual report that deals with the impact of newly issued accounting standards. The noted observations were a “closed” format; yes or no was entered. The second dimension, the communicated expected impact, was intended to be analyzed based on pre-determined codes that fitted the research question best. The codes that were developed beforehand were: “Negative Impact”, “Neutral Impact” and “Positive Impact”. Those codes turned out to be not useful for this sample. An important observation is that the companies do not use language such as “Negative Impact”. The often used terminology is more neutral, for example the significance or materiality was discussed. Hence, the different terminology was noted per company. Once all evaluations of the companies were recorded, a coding was applied which provides the possibility to group the evaluations. The codes that were used to describe the impact of the standards were “evaluating”, “significant” and “insignificant”. Excel was used in the data collection process. STATA 13 was used to group and analyze the data. The communicated reasons for the standards impact and the future strategy concerning real estate were summarized. In the results chapter examples from the texts are provided in text boxes.

The initial sample included 33 listed hotel chains in the US and Europe with FASB/IASB as standard setters (see Appendix 3 for the initial list). The sample of US firms is selected based on the index of hotel companies of NASDAQ NQUSB5753 (2017) extended by firms that were included in the industry benchmark index of BairdSTR Hotel Stocks (HotelNewsNow, 2017), excluding REITs because those are not operating hotels. For European firms, the output the search entry “hotel” on website of Frankfurt Stock Exchange (BörseFrankfurt, 2017) generated most of the sample. This was extended with specific well-known hotel firms that do not carry “hotel” in their name (e.g. ACCOR). During the data collection process further information was collected about the companies in the initial dataset. The list was reduced to 24 companies. For the IFRS sample companies that were listed in Europe were chosen. Hence, Action, IFA and Elegant were removed due to the location (Asia, Kuwait and Barbados). The hotel group Design was removed because all annual reports were in German. Chocolate Hotels has only one hotel and was therefore removed as well. For the US GAAP sample Starwood Hotels was removed as it merged with Marriott. Home Inn was removed since the company is Chinese. Morgans was removed from the sample since it is consolidated by SBE and not listed anymore. See Table 4 for the list of companies in the sample on page 18.

Research question 1 is answered by focusing on information about the future strategy. Research question 2 is answered by comparing findings about the evaluation of the impact of both standards and the future strategy. Research question 3 is answered by splitting the sample by year and accounting standard type.

5 Results

5.1 Data description

The dataset consists of information extracted from corporate communications of 24 listed hotel companies with 45 year observations about the evaluation of the two newly issued accounting standards. The latter allows to compare the communications of 2015 with those of 2016. Three companies did not report about the fiscal year 2016 yet. For each company the future strategy for real estate is noted. This resulted in 24 summaries.

LEASE MENTIONED	YEAR 2015	2016
NO	12	
YES	12	21
MISSING		3

Table 3: Frequency of lease accounting standard impact mentioned.

REV. REC. MENTIONED	YEAR 2015	2016
YES	24	21
MISSING		3

Table 2: Frequency of revenue recognition accounting standard impact mentioned.

The sample by regulatory regime is tabulated below. The sample consists of 14 US GAAP adopters and 10 IFRS adopters. Hereafter the companies will be referred to by use of their ticker.

US GAAP		IFRS	
TICKER	**NAME**	**TICKER**	**NAME**
BEL	Belmond Ltd	**AC**	Accor SA
CHH	Choice Hotels International Inc	**BE**	Melia Hotels International SA
H	Hyatt Hotels Corporation	**DHG**	Dalata Hotel Group
HLT	Hilton Hotels Corporation	**EZH**	easyHotel plc
LQ	La Quinta Holdings Inc	**IHG**	InterContinental Hotels Group plc
LVS	Las Vegas Sands Corp.	**MLC**	Millenium & Copthorne Hotels plc
MAR	Marriott International Inc	**NHH**	NH Hotel Group SA
MCS	Marcus Corp	**PHO**	Peel Hotels plc
MGM	MGM Resorts International	**PPH**	PPHE Hotel Group Ltd
MTN	Vail Resorts, Inc.	**SHOT**	Scandic Hotel Group AB
RLH	Red Lion Hotels Corporation		
STAY	extended Stay America Inc		
WYN	Wyndham Worldwide Corporation		
WYNN	Wynn Resorts, Limited		

Table 4: Sample by accounting standard type.

The sources of information for the companies included annual reports, financial reports and company presentations. For specific details of the sources used please see Appendix 2. The

Tables 2 and 3 show a summary of whether the new standard was mentioned and a list of the hotel companies in the sample (see Appendix 1 for the complete list of evaluations). Chapter titles that were used for the sections expressing the impact of new accounting standards have been noted per company, these are listed in Appendix 4. Raw notes, initial and secondary coding are presented in **the attached Excel file and STATA Data File**. Most of the results are based on an analysis of the descriptive statistics. Further descriptive statistics are therefore presented in the following paragraphs.

5.2 Results RQ 1 – Changing Strategies

RQ 1: *Does the real estate strategy of hotel companies change due to the accounting standard revisions for leases and revenue recognition in any of the following ways? a) reducing operating leasing, and/or b) replacing fixed payment operating leasing by variable payment operating leasing, and/or c) replacing operating leasing with hotel management agreements.*

The statements of the companies have been screened for paragraphs that specifically state the future strategy concerning real estate. Five companies in the sample have stated specific plans about reducing leases, variable leasing and/or replacing lease contracts. Summaries of these strategies are provided below. The companies do not often specify whether the (announced) lease payments are variable on performance. And sometimes the owned and leased properties are considered as a whole, despite the different underlying strategies.

AC: has formed a vehicle in order to spin-off properties. The subsidiary contains owned and leased properties. The company announced that the subsidiary is going to be sold, this process is called the booster project. All leases are included in the booster project except the variable leases based on EBITDAR. The control over the subsidiary will be less than the majority, hence the equity method will be applicable. The assets are not consolidated any longer. Management contracts between operator AC and the to be sold subsidiary are planned as AC will remain the operator.

HLT: has formed a REIT in order to spin-off mostly owned assets and five leases. It was not specified whether the leases are operating or financial leases. The hotels are to be operated by HLT through management contracts and franchising contracts between the operator and the owner.

NHH: has renegotiated and terminated lease contracts with unfavorable conditions in the past and is committed to continue doing that. The poor performance of the properties is the communicated reason for this decision. Some agreements were turned into franchise agreements. The company also communicated the commitment to increase the weight of variable leases because this allows the revenue to be more resilient to industry cycles. Moreover, NHH has set itself the goal to increase management contracts. Some lease agreements are still in the pipeline.

DHG: seeks to buy leased properties back. They communicated that unfavorable elements in contracts are the reason, as the lease payments are depending on the market prices.

SHOT: all announced openings by SHOT are based on variable lease contracts.

All other companies in the sample did not include statements about leasing contracts in their development plans that specifically dealt with issues such as described above. However, most companies have suggested to increase franchise and management contracts and two companies, namely PPH and BEL, have announced to increase the leases without specifying whether these are to be based on variable lease payments. Thus, the relative amount of operating leases is in general expected to decrease in the hotel industry.

5.3 Results RQ 2 – Link standards changes and strategy

RQ 2: *Are hotel companies that communicate expected negative implications of new accounting rules more likely to disclose changes in the real estate strategy?*

The tables below provide an overview of the companies that evaluated the impact of the newly issued accounting standards as significant. A significant impact could be considered as a negative impact, however this has not been stated. In order to be able to answer the research question the companies that evaluated the new standards as having a significant impact are discussed.

TICKER	LEASE IMPACT SIGNIFICANT
AC	1
BE	1
DHG	2
HLT	1
IHG	1
NHH	2
PPH	2
RLH	1

TICKER	REV. REC. IMPACT SIGNIFICANT
CHH	1
HLT	1
LQ	1
MAR	2
MGM	1
PPH	2
RLH	1
WYN	1

Table 5 & Table 6: Lists of significant impact lease & revenue recognition standard. (1 represents once in 2015/16 and 2 represents both years).

The estimation of the impact of the new accounting standards is linked to the statements about the real estate strategy in order to compare the hotel companies. First, the companies that have stated specific plans about reducing leases, variable leasing and replacing lease contracts are presented.

		Evaluation impact standard	
TICKER	**STRATEGY**	**LEASE**	**REVENUE RECOGNITION**
AC	Reduce leasing by spin-off, except variable leasing	Significant in 2015, insignificant in 2016	Insignificant
HTL	Reduce leasing by spin-off to REIT	Evaluating in 2015, significant in 2016	Evaluating in 2015, significant in 2016
DHG	Reduce leasing by buying properties back	Significant	Evaluating
NHH	Reduce leasing by renegotiations and replace by franchise agreement	Significant	Evaluating
IHG	No additional leases	Significant	Insignificant
SHOT	New leases are all variable leases	Insignificant	Insignificant

Table 7: Strategy and standard evaluation comparison of companies that mentioned leasing.

AC is the only company that changed a "significant" expected impact of IFRS 16 in 2015 to an "insignificant" impact the year after. The company provided an explanation; the change in the evaluation of the impact is due to the spin-off. HTL was one of four companies of the US GAAP sample that reported the lease accounting changes in 2015. DHG's Group Finance Manager explains the company's commitment to communicate the implications of IFRS 16 in her letter in the annual report, this indicates the importance of the matter. As for IHG, the company has no lease nor owned hotels in their pipeline in 2015 and 2016 and has a management/franchise business model. From Table 7, it can be observed that all companies that reduce leasing evaluate the leasing standard as significant. The revenue recognition revisions do not indicate a pattern.

Contradicting observations are considered. Companies that did indicate the new leasing standard as "significant", but did not communicate an adaptation strategy are presented in Table 8.

		Evaluation impact standard	
TICKER	**STRATEGY**	**LEASE**	**REVENUE RECOGNITION**
PPH	New leases announced	Significant	Significant
RLH	Lease contracts between subsidiaries including a REIT	Significant	Significant
BE	Not reducing leases, but includes operating leases currently	Significant	Insignificant

Table 8: Strategy and standard evaluation comparison of companies that have contradicting statements.

PPH did announce new leases, but at the same time, the company is looking for more management/franchise opportunities. RLH uses a subsidiary construction including a REIT and a combination of lease and management contracts between subsidiaries. It added that the new lease accounting standards are not materially affecting comprehensive income. BE's lease contracts are mostly operating leases, however the communicated strategy does not deal with reducing leases. A greater focus on asset-light strategy and asset-recycling is announced (the 2016 observation was missing).

US GAAP adopting companies CHH, LQ, MAR, MGM and WYN all recognized the significant impact of the new revenue recognition standards. These companies are generally operating hotels by franchise and management contracts and rely heavily on fee-based revenue. However, no pattern is found in adaptations due to the standard revision. The same strategy is generally continued.

The seven companies (Table 9) that only communicated that the impact of the new revenue recognition standards are still being evaluated in 2016 can be grouped as follows. Five companies focus on managing and/or franchising. Two of those companies that focus on managing and/or franchising do intend to reduce leasing. And two of those companies that focus on managing and/or franchising intend to enter into new leasing agreements. The remaining two companies focus on owning hotels.

The eleven companies (Table 10) that only communicated that the impact of the new lease standards are still being evaluated in 2016 can be grouped as follows. Two companies do communicate leasing as part of the real estate strategy (BEL, MLC). LQ and MGM intend to lease hotels from their REIT, which would be a construction using leasing contracts between subsidiaries. All others focus on owning, franchising and/or managing.

	ticker
6.	BEL
10.	DHG
20.	MLC
32.	MTN
34.	NHH
44.	STAY
48.	WYNN

Table 10: List of companies that were 'evaluating' the impact of the lease standard in 2016.

	ticker
6.	BEL
8.	CHH
14.	H
20.	MLC
22.	LQ
26.	MAR
28.	MCS
30.	MGM
32.	MTN
46.	WYN
48.	WYNN

Table 9: List of companies that were 'evaluating' the impact of the revenue recognition standard in 2016.

In 2016 four companies (see Table 11 on the next page) communicated that the lease revisions do have an insignificant impact. Among which was AC because their leases are included in the spin-off to the REIT. The other three have mainly owned hotels and some franchising agreements. EZH does asset-recycling including leasing but this is not a major part of the strategy.

	ticker
2.	AC
12.	EZH
24.	LVS
44.	STAY

Table 11: List of companies that communicated an 'insignificant' impact of the lease standard in 2016.

	ticker
2.	AC
12.	EZH
14.	H
18.	IHG
24.	LVS
28.	MCS

Table 12: List of companies that communicated an 'insignificant' impact of the revenue recognition standard in 2016.

The companies that communicated the revenue recognition revisions standards (Table 12) as having an insignificant impact all have strategies including manage and/or franchising contracts, except for LVS who only owns hotels.

Quality of information

Several companies provided readers of the report with more information additional to the evaluation of the impact. In 2015, only six companies added such statements. In 2016, this occurred more often; fifteen companies provided either extra explanations or specific information with the statement of the impact of the new accounting standard. Two examples can be found in the textboxes in Figures 3 and 4.The companies had more time to investigate, or it was more important to provide further information with the implementation deadline of the standards being closer. In 2016, it occurred more often for the revenue recognition standard, compared to the leasing standard, that additional specific information was provided. As an example, IHG provided a full page of explanations about the changes due to IFRS 15 in the annual report on fiscal year 2016.

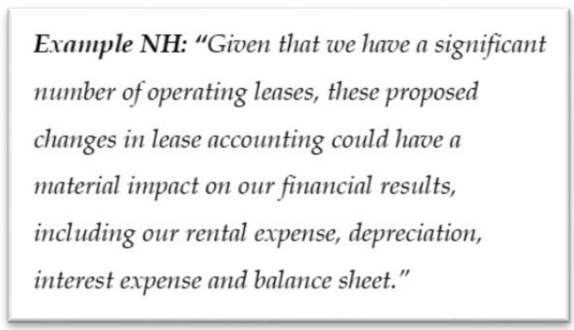
Example NH: *"Given that we have a significant number of operating leases, these proposed changes in lease accounting could have a material impact on our financial results, including our rental expense, depreciation, interest expense and balance sheet."*

Figure 3: Example from NH annual report 2016, additional explanation IFRS 16.

> ***Example Hilton:*** *"affect revenue recognition as follows: (i) application and initiation fees for new hotels entering the system will be recognized over the term of the franchise agreement; (ii) certain contract acquisition costs related to our management and franchise agreements will be recognized over the term of the agreements as a reduction to revenue; and (iii) incentive management fees will be recognized to the extent that it is probable that a significant reversal will not occur as a result of future hotel profits or cash flows."*

Figure 4: Example from Hilton 10K 2016, additional explanation ASC 606.

Answer RQ 2

On the one hand, examples of companies that recognize the standards (especially leasing) as having significant impact and that adapt their strategy to reduce leasing or to renegotiate leasing contracts, only focus on variable leases in combination with an increase of management/franchise contracts. On the other hand, examples are found of companies that did recognize the impact of the lease standard as significant, but did not announce such changes. Furthermore, the general strategy of these companies is asset-light and fee-based. Companies that are still evaluating the standards do not have a corresponding strategy.

An indicated insignificant impact of lease accounting revisions corresponds with either a neutralized impact due to strategy changes or a strategy that does not involve (much) leasing. An indicated insignificant impact of revenue recognition revisions corresponds with strategies involving franchising and/or managing. Thus, firms focused on franchising/management do not agree on whether the revenue recognition revisions have a significant or insignificant impact. The existing strategy is mostly continued, hence the revenue recognition standard might not relate to real estate strategy changes.

The revenue recognition standard impact evaluation included comparably more additional explanations, although the lease accounting changes seem to have a clearer link with real estate strategy alterations in the sample.

5.4 Results RQ 3 – US GAAP vs. IFRS

RQ3: *Are US listed hotel companies which communicate negative implications of new accounting rules more likely to change the real estate strategy compared to non-US listed hotel companies which communicate negative implications of new accounting rules?*

The evaluation of the impact of the standards is tabulated by year and regulatory regime in Table 13. Four out of fourteen (4/14) US GAAP adopters did mention the leasing standards in 2015. Of the IFRS adopters 8/10 did mention it. US GAAP adopters reported less about the significance, compared to the IFRS adopters, and just state that the issue is being evaluated.

YEAR, ASN and REV. REC. IMPACT	LEASE IMPACT				
	NOT MENTIONED	EVALUATING	INSIGNIFICANT	SIGNIFICANT	999
2015 USGAAP					
EVALUATING	8	4			
INSIGNIFICANT	1				
SIGNIFICANT	1				
999					
2015 IFRS					
EVALUATING		2		2	
INSIGNIFICANT	2		1	2	
SIGNIFICANT				1	
999					
2016 USGAAP					
EVALUATING		3	1		
INSIGNIFICANT		2	1		
SIGNIFICANT		5		2	
999					
2016 IFRS					
EVALUATING		1		2	
INSIGNIFICANT			2	1	
SIGNIFICANT				1	
999					3

Table 13: Impact of both standards by year and regulatory regime.

The general trend is that in 2016 all companies mentioned both standards. The US GAAP adopters are more "evaluating" the impact of the lease accounting standards compared to the revenue recognition standards. However, the sample of IFRS adopters is unfortunately rather small, since three of these hotel firms did not publish their 2016 reports in time for this study.

The quality of information, measured by the additional information provided, shows that 4/12 for revenue recongniton and 5/8 for the leases are IFRS adopters in 2016. Despite the lower amount of IFRS observations, it can be concluded that the quality of the communitcations for leases is relatively better for IFRS adopters compared to US GAAP adopters. The opposite is observed for revenue recognition.

A possible explanation for difference between US GAAP and IFRS adopters is found in explanations of NH and SHOT. In their annual reports it is explained why leasing is more important and occurs more often in the hotel industry in Europe (Germany, The Netherlands and Scandinavia especially) compared to the US. Communicated causes are commercial reasons and the hotel concepts.

Answer RQ 3

The increased focus of the SEC did not result in better coverage of the impact of new accounting standards and more transparancy for US GAAP adopters compared to IFRS adopters. This could be due to the fact that leases are more important in Europe and that IFRS adopters are expected to be transparent about these issues. It seems that market conditions are more important than additional regulation to increase transparency.

6 Conclusion and discussion

The main question to be answered in this Thesis is: What is the combined effect of new accounting standards for leases and revenue recognition on the real estate strategies of listed hotel companies? In general, the accounting revisions for revenue recognition do not seem to affect attractiveness of the franchising and managing agreements and despite examples of increased leasing a clear link is found between a communicated significant impact of the lease accounting changes and the (relative) reduction of operating lease agreements. The analysis provided the following examples of communicated strategies that result in a relatively lower amount of leasing contracts:

- Spin-offs effectively reduce (operating) leases
- Increased variable leasing (by renegotiations)
- Buy back leased assets
- Increase franchising
- Increase management contracts

More specifically, most strategy changes involving statements about leasing are found within the sample of IFRS adopting companies. Those companies recognized the impact of lease accounting changes as significant. To approach this matter from the opposite angle: other companies that recognized the impact of the standards as significant as well, but did not announce severe strategy changes or even announced new leasing agreements. The adaptation of the real estate strategy might still be in a developing phase for these companies.

Would the new lease accounting standard "be shaking the tree" of hotel leasing in Europe? As leasing might get less and less popular, it can be expected that the hotels and third party owners enter into a period of severe negotiations to change the existing lease contract to a variable lease or even transform the contract into a franchise or management agreement. The latter shifts the control over the asset which might result in an increased dependency of hotel operators on the owning party. Performance based lease payments or franchise/management fees are expected to increase which means that a lot of variability is introduced to the revenue/profit in the industry.

The observed strategies are within the general trend of going asset-light. Which means that other drivers can be responsible for strategy changes that are similar to the strategy changes that occur due to changing accounting standards. The link with the evaluation of the impact of the new standard is the only factor that is compared. Other control "variables" can be added in a follow-up research, for example by including more quantitative data. A combination of this study and the constructed capitalization method would be beneficial.

New questions can be raised. Are the options "real" in practice? The theoretic framework based on real options theory in real estate decisions of De Soto-Camacho and Várgas-Sanchez (2015) might not be applicable in all cases. The long-term nature of lease contracts and a possibly less favorable/weaker position in renegotiation of contracts could be a cause for companies to not have adapted yet. The capability to adequately change the real estate strategy might be a serious point of concern within the industry. Case studies about the hotel chains that have effectively renegotiated contracts or spin-off leases to subsidiaries might give a better insight in this matter.

The link between a communicated significant impact of the standard seems to be stronger for leasing compared to revenue recognition standards. The impact of the new revenue recognition standards is inconclusive. In general, franchising and management agreements are the most popular strategies of expansion. Both significant and insignificant impacts of the standards are communicated by companies that use such agreements. Based on the literature review, a larger management scrutiny is expected for franchising and management agreements due to the new revenue recognition standard (Rutledge et al., 2016). This might not have been considered by the companies when evaluating the impact of this new standard. Or, the management scrutiny is not seen by the bodies in the governance system of the companies that see the new revenue recognition standards as insignificantly affecting the business. Or alternatively, the governance system is trusted to be able to reduce the scrutiny. Hence, further research could focus on the efficiency of the governance system relative to the impact of the new revenue recognition standards on the real estate strategy.

The difference between US GAAP adopters and IFRS adopters might be due to the fact that the leasing standards deviate. The new US GAAP standard allows operating lease payments to be treated as they were on the income statement. The new IFRS standard obligates to treat these payments as financial lease payment. Hence, this may be a cause for a more significant estimated impact of the new standards for leasing in case of IFRS adoption. Moreover, as indicated by two companies in their statements, there might be other institutional differences between the US and Europe. These differences could be another reason for the differences in observation between the two countries. These findings confirm the conclusion of Contractor and Kundu (1998), that not only firm specific factors but also country and environment play an important role in the real estate decision. Future research that investigates the impact of the new standards after the implementation should take both the location of the operations and the type of accounting system in consideration.

Another observation concerns the spin-off of leases into REITs. This is merely moving the problem of inflating balance sheets to another party in the market. Investors in hotel operators might have fewer concerns after the spin-off and in their place the investors in the REITs are affected. Their might be a difference in the dependability on external financing for REITs and hotel chains that do not own but mainly operate hotels. Hence, the effect of capitalizing operating leases on the ratios might have less severe consequences. Future research could investigate the difference in impact of capitalizing operating leases between hotel operators and REITs.

The sample included rather many firms that still "evaluate" the impact of the standard revisions. Hence, a similar study with additional observations for 2017 would be beneficial. The reason for a company to indicate that the impact of the revision is significant was not always stated. For example lease accounting changes do effect office space leasing and land leasing as well.

Although the applied method has advantageous over quantitative methods, it relies upon forward-looking statements of companies and the coding has a partly interpretive nature. This research has been conducted in a structured way, with systematic data sourcing and a combination of initial and secondary coding. Yet, the inclusion of a second coder, someone who does the same data collection, would have possibly increased reliability and reduced the influence of the interpretation of the coder. This was not within the scope of this Thesis as it was an individual project.

This study provides an industry-wide comparison for strategic decision makers. The findings add to Positive Accounting Theory by applying an approach that goes beyond quantitative methods, which assists accounting standard setters as well. This study has shown that the communicated expected impact and real estate strategy reaction differ amongst hotel companies. So the actual consequences could be diverged as well. The implementation of the new standards is coming closer, additional research is essential and cooperation with the industry would be highly recommended. Further research can rely on this Thesis as a base for new research questions. Practitioners and academics have an interesting time ahead of them, as the consequences of the accounting updates will surface.

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8 Appendix 1: Additional tables

TICKER and YEAR	REV. REC. IMPACT INSIGNIFICANT	SIGNIFICANT	999
AC			
2015	1		
2016	1		
BE			
2015	1		
2016			1
CHH			
2015			
2016		1	
EZH			
2015	1		
2016	1		
H			
2015			
2016	1		
HLT			
2015			
2016		1	
IHG			
2015			
2016	1		
LQ			
2015			
2016		1	
LVS			
2015			
2016	1		
MAR			
2015		1	
2016		1	
MCS			
2015			
2016	1		
MGM			
2015			
2016		1	
PHO			
2015	1		
2016			1
PPH			
2015		1	
2016		1	
RLH			
2015			
2016		1	
SHOT			
2015	1		
2016			1
STAY			
2015	1		
2016			
WYN			
2015			
2016		1	

TICKER and YEAR	LEASE IMPACT INSIGNIFICANT	SIGNIFICANT	999
AC			
2015		1	
2016	1		
BE			
2015		1	
2016			1
DHG			
2015		1	
2016		1	
EZH			
2015			
2016	1		
HLT			
2015			
2016		1	
IHG			
2015			
2016		1	
LVS			
2015			
2016	1		
NHH			
2015		1	
2016		1	
PHO			
2015			
2016			1
PPH			
2015		1	
2016		1	
RLH			
2015			
2016		1	
SHOT			
2015	1		
2016			1
STAY			
2015			
2016	1		

Figure 5: New standards revenue recognition (REV. REC.) and leases evaluation of impact (by ticker/year) 999=missing.

9 Appendix 2: Data sources

IFRS

	ANNUAL REPORT		FINANCIALS		PRESENTATIONS		
TICKER	2015	2016	2015	2016	2015	2016	2017
AC	✓	✓	✓	✓		JUL	
BE	✓		✓	✓			MAR
DHG	✓	✓				DEC	✓
EZH	✓	✓				NOV	
IHG	✓	✓				SEP	FEB
MLC	✓	✓					
NHH	✓	✓					MAR
PHO	✓	✓					
PPH	✓	✓					FEB
SHOT	✓		✓	✓			FEB

Table 14: IFRS companies - type of document of data sources.

TICKER	SOURCE
AC	http://www.accorhotels.group/en/investors
BE	http://www.meliahotelsinternational.com/en/shareholders-investors
DHG	http://dalatahotelgroup.com/investors/
EZH	http://ir.easyhotel.com/index.php/document-centre/
IHG	https://www.ihgplc.com/investors/results-and-presentations
MLC	https://www.millenniumhotels.com/en/investors/annual-report-archive/
NHH	https://www.nh-hotels.com/corporate/shareholders-and-investors/financial-information#infofinanciera03
PHO	http://www.peelhotels.co.uk/about-peel-hotels/investor-relations.shtml
PPH	http://www.pphe.com/investors/download-centre/2016
SHOT	http://www.scandichotelsgroup.com/en/financial-reports/

Table 15: IFRS companies - link to web location of data sources.

US GAAP

	ANNUAL REPORT		10K		PRESENTATIONS		
TICKER	2015	2016	2015	2016	2015	2016	2017
BEL		✓	✓	✓			
CHH			✓	✓			
H			✓	✓	MAY	NOV	FEB
HLT	✓		✓	✓		DEC	MAR
LQ		✓	✓	✓		Q4	
LVS	✓		✓	✓		JUN	
MAR	✓	✓	✓	✓			MAR
MCS	✓	✓	✓	✓			
MGM	✓		✓	✓			MAR
MTN			✓	✓			MAR
RLH	✓		✓	✓		NOV	
STAY	✓		✓	✓		JUN	MAR
WYN			✓	✓		NOV	
WYNN			✓	✓	MAR	APR	

Table 16: US GAAP companies - type of document of data sources.

TICKER	SOURCE
BEL	http://investor.belmond.com/
CHH	http://investor.choicehotels.com/phoenix.zhtml?c=99348&p=IROL-irhome
H	http://investors.hyatt.com/investor-relations/default.aspx
HLT	http://ir.hilton.com/
LQ	http://ir.lq.com/phoenix.zhtml?c=89577&p=irol-irhome
LVS	http://investor.sands.com/English/ir-home/default.aspx
MAR	http://investor.shareholder.com/mar/index.cfm
MCS	http://investors.marcuscorp.com/phoenix.zhtml?c=99966&p=irol-irhome
MGM	http://mgmresorts.investorroom.com/
MTN	http://investors.vailresorts.com/
RLH	http://investor.shareholder.com/rlhcorp/index.cfm
STAY	http://www.aboutstay.com/CorporateProfile.aspx?iid=4409177
WYN	http://investor.wyndhamworldwide.com/phoenix.zhtml?c=200690&p=irol-landing
WYNN	http://phx.corporate-ir.net/phoenix.zhtml?c=132059&p=irol-secdisclaim

Table 17: US GAAP companies - link to web location of data sources.

10 Appendix 3: Initial sample selection

NAME	TICKER	ACCOUNTING STANDARD
HUAZU/CHI	HTHT	CAS--> IFRS?
IHG	IHG	IFRS
ACCOR	AC	IFRS
PPHE	PPH	IFRS
PEEL	PHO	IFRS
ACTION	AHCG	IFRS
EASY	EZH	IFRS
MILLENIUM	LN	IFRS
ELEGANT	EHG	IFRS
CHOCOLAT	HOTC	IFRS
NH	NHH	IFRS
Melia	BE	IFRS
BELMOND	BEL	USGAAP
CHOICE	CHH	USGAAP
EXTENDED	STAY	USGAAP
HILTON	HLT	USGAAP
HOME INS	HMIN	USGAAP
BELMOND	H	USGAAP
LA QUINTA	LQ	USGAAP
LAS VEGAS	LVS	USGAAP
MARCUS	MCS	USGAAP
MARRIOTT	MAR	USGAAP
MGM	MGM	USGAAP
MORGANS	MHGC	USGAAP
RED LION	RLH	USGAAP
Starwood	0	USGAAP
WYNDHAM	WYN	USGAAP
WYNN	WYNN	USGAAP
VAIL	MTN	USGAAP
SCANDIC	SHOT	IFRS
DESIGN	LBA	IFRS
DATALA	DHG	IFRS
IFA	IFA	IFRS
rezidor?		IFRS

Table 18: Initial sample.

11 Appendix 4: Titles of chapters of standard evaluation

TICKER	HEADING/TITEL in 10K and annual Reports
BEL	Accounting pronouncements
CHH	Future Adoption of Accounting Standards
H	Future Adoption of Accounting Standards
HLT	Accounting Standards Not Yet Adopted
LQ	Newly Issued Accounting Standards
LVS	Recent Accounting Pronouncements
MAR	New Accounting Standards
MCS	New Accounting Pronouncement
MGM	Recently issued accounting standards.
MTN	New Accounting Standards
RLH	New and Recent Accounting Pronouncements
STAY	Recently Issued Accounting Standards
WYN	RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS
WYNN	Recently Issued Accounting Standards
AC	2015: Assessment of the potential impact on the consolidated financial statements of not adopted future standards, amendments to existing standards and interpretations of existing standards 2016: Future standards, amendments to and interpretations of existing standards
BE	BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS
DHG	Significant accounting policies
EZH	Standards, amendments and interpretations to published standards not yet effective
IHG	New standards issued but not effective
MLC	New standards and interpretations not yet adopted
NHH	FIN: New standards, amendments and interpretations Obligatory
PHO	Standards and interpretations in issue not yet effective
PPH	Note 2 Summary of significant accounting policies
SHOT	New standards and interpretations yet to be applied by the Group

Table 19: Title of standard evaluation chapter by company.

12 Appendix 5: Planning

Planning Master Thesis Robert de Jong

	week 8	week 9	week 10	week 11	week 12	week 13	week 14	week 15	week 16
Soft Deadlines			7-3-2017		23-3-2017				
Hard Deadlines							7-4-2017		17-4-2017
Content Deadline			**Draft proposal Hand-in**		**Research Proposal Hand-in**		**Accepted Proposal by Supervisor**		**Supervision form**
Feedback to be planned									
Tasks Proposal									
Introduction									
Literature Review									
Hypotheses									
Method									
Application of feedback									
Check sources									
Rewrite introduction									
Study week and exams									

	week 15	week 16	week 17	week 18	week 19	week 20	week 21	week 22	week 23	week 24	week 25	week 26
Soft Deadlines					week end			week end				
Hard Deadlines		17-4-2017										
Content Deadline		**Supervision form**			**Draft Thesis Hand-in**			**Official Thesis Hand-in**			**Defence?**	
Feedback to be planned												
Tasks Thesis Writing												
Archival Data Collection	about 15 firms per week											
Data structuring	about 15 firms per week											
Coding		about 15 firms per week										
Data Analysis												
Creating presentable info												
Conclusion/discussion												
Rewrite introduction / abstract												
Application of feedback												
Prep. Defence												

Planning

This proposal is handed in on the 24th of March 2017. In order to give the supervisor time for assessing my work. Before the 7th of April I expect to receive a GO for Master Thesis and sign **the supervisor form before the 17th of April.**

Until that date no work will be done on the Master Thesis as I focus on the test week. Hereafter I continue the execution of the research by gathering data and coding the texts. After a first analysis and conclusion I plan to hand-in a Draft Master Thesis approximately on the 12th of May. Feedback in the word document was effective for the draft version of the proposal. This could be used again for the draft of the complete thesis. A phone or skype call would be preferred instead of an meeting in person as I will not be writing my Thesis in Nijmegen.

The Master Thesis is planned to be finished on the 30th of June. Minimal two weeks are planned for assessing the Master Thesis by the Supervisor and Second Assessor. The defense would be preferably be panned before half July.