700. Apportionment is also continuously made by the licensee of the Grosvenor Hotel, Timaru (Exhibit A, 153). This licensee in his statement to us described the system as follows :—

The system adopted is designed to give the fullest possible detail of all revenue and expenditure items as I keep an up-to-date record of these by means of charts and graphs, for comparison purposes, which I consider is very essential to-day to enable me to maintain an efficient control of the hotel.

With this basis and the analysis to work upon I can ascertain reasonably accurately the financial results of the two departments of the hotel—viz., accommodation and bar. Wages, for instance, are analysed in the weekly pay-sheet between kitchen, dining-room, housemaids, porters, and bar. Thus with all direct expenses I have the information to make the allocation to each department. As a further example, power is allocated between the house and the bar on a wattage basis, while due provision is made for bar-staff meals, bar counter-lunches, laundering of bar-towels, &c.

Direct expenses cover such items as wages, power, &c., already mentioned, and laundry, bar renewals, hospitality, house renewals, license, depreciation of furniture, house-expenses, &c.

With overhead expenses, certain of them, such as mortgage interest, land-tax, rates, &c., are allocated on the basis of the floor space used by each department, allowing for the fact that bar space, being on the ground floor, is of more value than upper-floor space. The bar is debited also with upper-floor space for bar-staff quarters. The remaining overhead expenses, such as general expenses, telephone, motor-running expenses, printing and stationery, &c., are allocated separately on what is considered a fair proportion to each department.

From my own experience I would say that it was impossible to lay down any hard-and-fast rule to cover the allocation of expenses for all hotels, but the essential factor is to have costs and expenses split up or analysed to a fairly fine degree to enable the allocation to be readily and accurately made, and to enable meals and other costs to be worked out, and to acquire an intimate knowledge of the hotel and the working of it.

A very important point that has a great bearing on the individual results of the two departments is the complementary effect of the guests, and the business they bring to the hotel on the lounge or private-bar trade. Thus due credit must be given to the accommodation department for a reasonable allocation of the profit from these bars. In my case it is fairly easy, as I consider the majority of my lounge-bar trade is from guests, directly or indirectly, but this would not be the position in hotels in the larger cities.

701. Some difficulty may arise, as indicated, with respect to the allocation of the revenue from the lounge-bar trade, but we think that any hotel could, with observation, arrive at a satisfactory apportionment of the amount of revenue due to guests and to strangers and make an allocation accordingly. We think, indeed, that it is elementary in cost accounting that an allocation could fairly be made.

702. The general lack of proper accounting between the two sides of the hotel is, we think, unsatisfactory. It tends to give rise to the suspicion that the accommodation side may pay better than is alleged, but that it is not desirable to show it. The fact that private hotels, sufficiently large to form an economic unit, make substantial profits on accommodation alone tends to support this view. The suspicion may, of course, be ill-founded. It is not likely to be removed until it is the general rule for separate accounts of both sides of a residential hotel to be kept on a proper cost accounting basis.

CHAPTER 35.—MISLEADING ADVERTISING AND RESTRICTIONS ON ADVERTISING

703. The advertising of alcoholic liquor raises these questions :—

(1) Whether some advertisements have been misleading ;

(2) Whether liquor advertising has unduly stimulated the demand for alcoholic liquor ;

(3) Whether liquor advertising should be restricted ; and

(4) Whether, as in the Invercargill Licensing District, it should be abolished.

704. Misleading advertisements have been published concerning the vitamin content of beer, particularly the riboflavin content. Compared with milk, beer is a relatively poor source of riboflavin (R. 299 and 738). Other advertisements have suggested, with the aid of attractive drawings, that beer is an effective aid in excelling in various forms of sport (Exhibit B. 2). Other advertisements have indicated that the worry and drudgery of housework and the strain and fag of office work are relieved by a particular