The Effect of Internal Controls System on Hotels Revenue
The Case of Hotels in Bahir Dar and Gondar Cities

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Abstract

A sound internal control process is critical to an entity to reduce problems associated with lowering revenues and too enable the entity to meet its established objective. The study designed to investigate the effect of internal control systems on revenue of hotels in Bahir Dar and Gondar Cities in Ethiopia. To do so, control environment, risk assessment, controlling activity, information and communication systems, and monitoring activity internal control component were used. The study found that not all internal control components have a positive significant effect on hotels revenue. But, others internal control components such as: controlling activity, information and communication and monitoring activity has positive and significant effect on the hotels revenue.

Key Words: Internal Control Systems, Revenue, Hotels.

1. Introduction.

The hospitality industry has a long colorful history beginning with inns, and lodges, and growing into the hospitality industry (Michael & Richard, 2001). An incredible change in the industry of tourism in the world brought many changes in the field of hotel business. This means, the expansion and development of travel has contributed a lot for the development of hotel industry. In line with the manner in which the industry is evolving over time in developing country, the revenue collected from this sector shown remarkable growth but there is still so many problems in the hotels industry especially in developing country like Ethiopia when it comes to the quality of service (Ebisa & Anduale, 2013). In fact, low level of service quality contributes to problems in the internal control of the industry (Abdul & Mohd, 2012). Moreover, these internal control problem are more obvious in particular business sectors, such as the hospitality specifically hotel, which is one of the most growing sectors worldwide (Politits et al., 2009). Obviously, no company can expect to ensure its continuity without sufficient investment in its internal controls (Chan, 2006). Moreover, in these dynamic environment it is also obvious that things will go wrong so it’s better to make sufficient controls to limit the possibility of bad events occurring and to limit their damage when they occur (Brewer & list, 2004). As such, hotels generates revenue through several activities such as: room division, food &beverages, function rooms, spa & fitness facilities, golf courses, casino and gambling facilities, and other additional services (Stanislav & Vladimir, 2012). Thus, there is a need of management tool that can control and monitor income regularly from each hotels revenue sources that help the hotels to control over all operation, to maintain the quality of service, to generate more revenue and to engage in more profitable activities that would be too risky for a competitor without those internal controls (Kloot, 1999; Ever etal., 2012).

2. Literature Review
2.1 Internal Controls

Internal control has different meanings. That is, it is difficult to give only one optimal definition to the internal control. This is because it can be explained and seen from different perspectives (Cristina et al., 2010). However, internal control is defined as a process, affected by the actions of board of directors and other organizational structure levels in the firm, designed to provide reasonable assurance
toward achieving firm’s objectives, plans and strategies under the related laws, rules, polices and regulations (Domnișoru & Viinătoru, 2008; Li & Wei, 2008). Recently, big companies increasingly started to include detailed management reports on the effectiveness and efficiency of internal control systems in their annual corporate reports as an indicator to a good corporate governance practice (Leng & Li, 2011; Saha & Arifuzzaman, 2011). However, the evaluation of internal control system is based mainly on assessment of the internal quality control of the intended company on three main levels, including appropriate internal control, insufficient internal control and deficient internal control (Calotă & Iana, 2009). The effectiveness of a company’s internal control system is generally recognized as a prerequisite to the auditing process as it is considered the major determinant of the selection, timing, and the extent to which auditing procedures should be applied or restricted (Terrell, 1974). However, according to Amudo and Inanga (Amudo et al. 2009) firms may incorporate many procedures to enhance and develop their internal control systems by assessing effectiveness of components of internal control. These include for example; control environment, risk assessment, control activities, information and communications, monitoring. As well as, (Lau x ad Matthew, 2014) confirm that effectiveness of each internal control components must be considered as part of the ongoing evaluations of revenue process. Furthermore, (AICPA, 2002; Beasley et al., 2010) argued that ongoing evaluation of internal control is particularly important within the revenue process because revenue continues to be one of the primary areas affected by fraud and abuse. The evaluation of all components of internal control tool is useful for manufacturing sector managers who face a sustained difficult operating environment in the wake of the recent financial crisis and corresponding global recession(Lau x ad Matthew, 2014). In addition, these firm must continually adapt to an ever-changing business environment involving trends such as globalization, outsourcing, automation, and increased reliance on IT systems. According to COSO’s integrated internal control framework, one of the overarching objectives of internal control is to provide reasonable assurance regarding the achievement of organizational objectives related to operational effectiveness and efficiency. Accordingly, given the rapid shifts in the operating environment which accompany the trends referenced above, managers stand to benefit from periodically re-assessing organizational risks and evaluating whether all internal control activities in place reasonably ensure the entity’s objectives are met.

Several studies have been conducted research on internal control system but none of them study the impact of effective internal control system on revenue generation, particularly at local hotels in developing countries (Aikins 2011; Baltaci & Yilmaz, 2006; Ever & etal, 2012; Francis and Samuel (2013); Elekwa N. & Okechukwu .E (2014) for instance a study carried out by 2. Ever etal., (2012) tried to explore effectiveness of internal controls in revenue management: A case study of Zimbabwe Revenue Authority (ZIMRA) for period of (2011-2012). This paper sought to closely look at the effectiveness of internal controls in revenue management and whether these measures of establishing internal controls produced meaningful results in increased revenue inflows as well as minimized revenue leakages. The study found that there are a direct relationship between internal control and revenue management and also effective internal control enable to meet and exceed targets revenue as well as reduce factor minimizes revenue. Also the study carried out by Francis and Samuel (2013) they tried to assess impact of internal control system on cash collection in Ghana and used questionnaire and interview to collect intended data. A survey design used in the study and the finding presented through only table and percentages. The study revealed that weak internal control results and affected by faulty decision making which increase their relative costs of decision making, collusion of two or more people circumvented control and override the internal control system by management. In a related study carried out by Elekwa N. & Okechukwu .E (2014) Internal Revenue leakages Prevention and Control in the Local Government System. The study found and conclude that internal revenue leakage has contributed to huge financial loss at local government councils in Nigeria which rises due to wrong payment, improper and misuse of funds resulted from absence of fund control, cash flow management and fraud detection effective controlling systems. Despite these underlying finding, the subject of internal control in the hotels is not well identified and presented when come to developing country like Ethiopia, and also no empirical research has yet been undertaken to directly identify the effect of the internal control system on hotel revenue generation, even though the expansion and
development of these hotel industries in the world, there has been increasingly expanded and developed in developing country too. Due to this background the researchers was tried to fill the research gap by identifying effect of internal control system on hotels revenue. The case of hotels in Bahir Dar and Gander Cities by using all five key components of internal control mentioned by (COSO, 2013).

2.2 Internal Controls Components

**Control environment:** Is the major aspect of managing an organization this is because is a reflection of the attitude and the policies of management in regard with the importance of internal controls in the economic unit (Theofanis, et al., 2011). It has influence over organization goals achievement (Aldridge & Colbert, 1994). However, it is the foundation for the other components of internal control and providing structure (Sudsomboon & Ussahawanitchakit, 2009). Also, control environment has an influence on both fraudulent behaviors and Counterproductive Workplace Behaviors which might result loss of revenue and similarly lead in to failure of organization objective (Zauwiyah & Marinate, 2008). Also, its enable to reducing the level fraudulent activities within organizational operation (Amudo & Inanga, 2009). As well, enable to teach employees about the nature of fraud and system for responding meaningfully when control deficiencies are pointed out and allegations of fraud are raised (Wood &Brathwaite, 2013). As well, control environment also reflects the attitude and policies in regard to the importance of internal controls in revenue generation (Whittington & Pany, 2001). *We, therefore, argues that theirs is relationship between control environment and revenues. It can be hypothesize that: H1, Control environment have a positive significant effect on hotels revenue.*

**Risk assessment:** This is the identification and analysis of relevant risks associated with the achievement of the management objectives (Theofanis, et al., 2011). Similarly (Sudsomboon & Ussahawanitchakit, 2009) view risk assessment as the process of identifying and analyzing management relevant risks to the preparation of financial statements that would be presented fairly in conformity with general accepted accounting principle. As well, Petteri (2014) assert that risk assessment enable the organization to detect material misstatement of revenue (ISA, 2009). As well, Shaul Moav (2012) confirm that risk assessment is an important activities that enable the organization to assure its revenue generation process from different revenue leakages. *We, therefore, argues that theirs is relationship between risk assessment and revenues. It can be hypothesize that: H2, risk assessment have a positive significant effect on hotels revenue.*

**Control activities:** These are policies, procedures and mechanisms that ensure management’s directives are properly carry out (Aikins, 2011; Rezaee etal., 2001). Proper documentation of policies and procedural guidelines in these aspects help to determine not only how the control activities are to be executed but also provide adequate information for auditors examination of the overall adequacy of control design over financial management practices (Aikins, 2011). Incentives and rewards can be just used as controlling as threats and punishments (Kohn, 1993). Moreover, Manasseh (2004) also noted that effective control activity reduces the risk of fraud and error and manipulation in the business thus increasing efficiency in the company’s revenue collection performance and improving revenue performance. *We, therefore, argues that theirs is relationship between control activity and revenues. It can be hypothesize that: H3, control activity have a positive significant effect on hotels revenue.*

**Information and communication:** refers to the process of identifying, capturing, and communicating of relevant information in an appropriate manner and within timeframe in order to accomplish the financial reporting objectives (Aldridre & Colbert, 1994). However, effective communications should occur in a wider sense with information within the various sections of the organization (Theofanis et al., 2011). Most of the recent literature on internal control system frameworks gave concerned on information and communication as one of the internal control
system components, because of their importance in influencing the working relationship within the organization at all levels (Amudo & Inanga, 2009). But also, effective information and communication systems enable the organization to collect more revenue (Elijah et al., 2013). We, therefore, argues that there is relationship between information and communication and revenues. It can be hypothesize that: H4, information and communication have a positive significant effect on hotels revenue.

**Monitoring activities:** it is usually accepted that internal control systems need to be adequate monitored in order to assess the quality and the effectiveness of the system’s performance over time. Monitoring provides assurance that the findings of audits and other reviews are promptly determined (Theofanis et al., 2011). Also monitoring of operations ensures effective functioning of internal controls system (Amudo & Inanga, 2009). Apparently, effective monitoring all revenue agents is imperative which enable to sit up to their responsibilities and reduce the age old delay in assessment, collection and diversion of revenue (Charles et al., 2012). We, therefore, argues that there is relationship between monitoring activities and revenues. It can be hypothesize that: H5, monitoring activities have a positive significant effect on hotels revenue.

3. Research Methodology

Research method is selected by researcher(s) based on the research purpose, the nature of the research, the problem area, and research questions. Hence, quantitative research approach and explanatory research design was used in order to answer research objective due to the fact that both enable to measure variables on a sample of subjects and express the relationship between variables using effect statistics and also it enable to test hypothesis that the researcher generates Creswell (Creswell, 2003).

Additionally, the research used cross-sectional strategy to gather data from respondents.

3.1 Sample design and **Measurements of Instruments**

This study select a sample of 30 hotels out of 50 numbers of hotels from the Bahir Dar and Gondar cities indicated by bureau of culture and tourism of Ahmara region as per (2014/2015) record. The study was select purposive sampling technique which could best enable the researchers to gain better data from informed persons. Moreover, data was collected through questionnaire and more or less the questionnaire related to internal control was adopted from (Wood & Brathwaite, 2013). They were developed the questionnaire in the form of Yes/No questions, with some modification the questionnaire the researcher was converted it in to 5 point liker scale measurement. The 5 point Likert scale measurement questionnaire consists 5’s section for internal control measurements and the last one section Yes or No questionnaire was used for assessing hotels revenue performance whether the 2007 revenue is decrease or increase comparing to 2006 revenue.

3.2 Model Selection

Binary logistic regression is one of multivariable statistical analysis which used to calculate the probability of two possible outcomes (Bagley, S. C. et al., 2001. In this research the two possible outcomes are revenue increase and revenue not increase considered. Therefore, the choice of this model was based on the fact that the desired result “Hotels revenue” has two possible outcomes coded as 0 and 1. The response variable Y is a dichotomous variable with possible values of 0 and 1 thus:

$$Y = \begin{cases} 1 = \text{Revenue Increase} & \text{let assume } \left( P(Y=1) = \pi(X) \right) \\ 0 = \text{Not Increase} & \text{.....} P(Y=0) = 1 - \pi(X) \end{cases}$$

$$\log \text{it}(\pi(X)) = \frac{\pi(X)}{1 - \pi(X)} = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5.$$
### 3.2.1 Assumptions of Logistic Regression

Tabachnick et al. (2001) argued that logistic regression technique has number of major advantages as a summary to the discussion in 3.6: (1) it is more robust to violations of assumptions of multivariate normality and equal variance-covariance matrices across groups; and (2) it is similar to linear regression, but more easily interpretable diagnostic statistics. Further, advantages of the analysis that raise its popularity come from the following assumptions: (3) most importantly, logistic regression does not assume a linear relationship between the dependent and independent variables; (4) normally distributed error terms are not assumed. For this reason, logistic regression was used at where the above assumptions tend to be violated. This is evident in one main way in logistic regression analysis. Thus, it has alternative data distribution assumptions, suggesting that it generates more appropriate and correct findings in terms of model fit and correctness of the analysis regardless of any assumption.

### 3.2.2 Evaluation of a Logistic Regression Model

According to Park (2013) there are several parts involved the logistic regression model in the evaluation the model.

#### 5.5 Bootstrapping Estimate Statistical Technique.

Bootstrapping is a useful statistical technique used for analyzes and obtain estimate coefficient in regression which is desirable methods where effective sampling is small. It used to estimate the robust statistics like odd ratio, p value etc. for statistical test when small or unevenly distributed sample could make the test in accurate using repeated samples from the original data set (Batmanz et.al, 2012). Among different bootstrapping’s research methods in this study the random-x method of bootstrapping’s which gives more precise and less complex model is used as indicated by (Anwar & Ng, 2014).

### 4. Analysis and Discussion of Finding

#### 4.1 The Assessment of Prediction Power of the Baseline Model or Null Model.

In this description, table 4.1.1and table 4.1.2 shows that the null model logistic coefficient (β) associated with the constant variable and the overall statistics prediction power of null models respectively. Table 4.1.2: the significance of the models with only constant at (0.014) which is less than the level of significance of 0.05 (i.e. p<0.05). Moreover, the overall statistic is correct to extent of 75%– so it is better than a cut point 0.5 (better than just guessing).

#### Table 4.1.1: variable in the equation

<table>
<thead>
<tr>
<th>Table 4.1.1 Variables in the Equation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>S.E</td>
</tr>
<tr>
<td>Ste constant</td>
<td>1.0</td>
</tr>
<tr>
<td>0</td>
<td>12</td>
</tr>
</tbody>
</table>

#### Table 4.1.2: Classification Table

<table>
<thead>
<tr>
<th>Table 4.1.2: Classification Table</th>
<th>Observed</th>
<th>Predicted</th>
<th>Percentage Correct</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel revenue not increase</td>
<td>Revenue increase</td>
<td>Revenue not increase</td>
<td>Revenue increase</td>
</tr>
<tr>
<td>Step 0</td>
<td>0</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Hotel revenue</td>
<td>Revenue not increase</td>
<td>Revenue increase</td>
<td>22</td>
</tr>
<tr>
<td>Overall Percentage</td>
<td>73.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* a. Constant is included in the model.
* b. The cut value is .500
4.2 Assessment of the Significance of Predictors Not Included In Null Model.
Table 4.2.1 and Table 4.2.2, revealed the significance of each independent variable that is not included in the base line model and the omnibus tests of model respectively. As evidenced in table 4.2.1: the independent variable that are not included in the base line model is less than 0.05 (i.e. p<0.05) and significant. Moreover, the omnibus tests of model is significant of each predictors. Therefore, this indicate that new model with explanatory variable is different and including all predictors will improve new model over baseline model.

Table 4.2.1: Variables not in the Equation

<table>
<thead>
<tr>
<th>Step 0</th>
<th>Variables</th>
<th>Score</th>
<th>Df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Control environment</td>
<td>7.413</td>
<td>1</td>
<td>.006</td>
</tr>
<tr>
<td></td>
<td>Risk assessment</td>
<td>5.644</td>
<td>1</td>
<td>.018</td>
</tr>
<tr>
<td></td>
<td>Controlling activity</td>
<td>5.135</td>
<td>1</td>
<td>.023</td>
</tr>
<tr>
<td></td>
<td>Information communication</td>
<td>11.364</td>
<td>1</td>
<td>.001</td>
</tr>
<tr>
<td></td>
<td>Monitoring activity</td>
<td>18.135</td>
<td>1</td>
<td>.000</td>
</tr>
</tbody>
</table>

Table 4.2.2: Omnibus Tests of Model Coefficients

<table>
<thead>
<tr>
<th></th>
<th>Chi-square</th>
<th>Df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>26.784</td>
<td>5</td>
<td>.000</td>
</tr>
<tr>
<td>Block 1</td>
<td>26.784</td>
<td>5</td>
<td>.000</td>
</tr>
<tr>
<td>Model 1</td>
<td>26.784</td>
<td>5</td>
<td>.000</td>
</tr>
</tbody>
</table>

4.3 Evaluation of Prediction Power of Models with All Predictors

In this section, further scrutiny of prediction power of models with all predictors and percentage dependent variable explained by independents variable. Accordingly, table 4.3.1 & 2 with Cox & Snell R Square and the Nagelkerke's R², they provide an indication of the amount of variation in the dependent variable. But, the Nagelkerke's R² modification that does range from 0 to 1 is a more reliable measure of the relationship with a better model displaying a value closer to 1 and provide an indication of the model fitting information. Thus, there is very good relationship between the predictors and the response variable at 86%. But also, as per table 4.3.2 model with all predictors is 90% accurate in determining the dependent variable.

Table 4.3.1: Model Summary

<table>
<thead>
<tr>
<th>Step</th>
<th>Cox &amp; Snell R Square</th>
<th>Nagelkerke R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>590</td>
<td>.860</td>
</tr>
</tbody>
</table>

4.4 Goodness of Fit of Model

The Hosmer-Lemeshow test, which divides subjects into 10 ordered groups of subjects, and the number actually in each group (observed) are compared with each other to predicted the probabilities of occurrence in subgroups of the model population. A probability (p) value is

Table 4.3.2

<table>
<thead>
<tr>
<th>Classification Table</th>
<th>Predicted</th>
<th>Observed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel revenue</td>
<td>Revenue not increase</td>
<td>Revenue increase</td>
</tr>
<tr>
<td>Revenue not increase</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Revenue increase</td>
<td>1</td>
<td>21</td>
</tr>
<tr>
<td>Overall Percentage</td>
<td>a. The cut value is .500</td>
<td>90.0</td>
</tr>
</tbody>
</table>
computed (comparing the observed frequencies with those expected) under the linear model from the chi-square distribution with 8 (number of groups -2) degrees of freedom to test the fit of the logistic model. Moreover, small values (with large p-value closer to 1) indicate a good fit to the data. Based on this, Hosmer-Lemeshow test of the study indicate that the model was fit to the data well at statistics $\chi^2$, 3.251 & p value of .918 which is ($p>.05$) which mean that the data fit the model adequately.

### Table 4.4.1: Hosmer and Lemeshow Test

<table>
<thead>
<tr>
<th>Step</th>
<th>Chi-square</th>
<th>df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3.251</td>
<td>8</td>
<td>.918</td>
</tr>
</tbody>
</table>

### 4.5 Evaluating Usefulness of Binary Logistic Model.

Logistic regression models are frequently used to predict a dependent variable from a set of independent variables. An important question is whether results of the logistic regression analysis that includes all predictors is much better than the null models. This question is referred as model evaluation. In practice, this is done by comparing accuracy rates of null model (table 4.1.2), 73.3% & table 4.3.2, accuracy rates of model includes all predictors are 90%. Table 4.3.2 classification accuracy rate is 90% and greater than the accuracy percentage of null model. Consequently, the model was useful and indicate that adding one or more extra predictors are significantly improves the fit of our model.

### 4.6 Parameters Estimates and Significance levels of Each Predictors in The Model.

Once all above section is described well, the last important thing is identifying table that enable to identify the coefficient of estimates, effect of predictors and significance level of each independents variable in the model. To do so, better to look at table 4.6.1: that has several important elements including logistic coefficients $\beta$, Wald test, p value, and odd ratio.

### Table 4.6.1: Bootstrap for Variables in the Equation

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>S.E.</th>
<th>Wald</th>
<th>Df</th>
<th>Sig.</th>
<th>Exp($\beta$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control environment</td>
<td>0.158</td>
<td>25.071</td>
<td>0.000</td>
<td>1</td>
<td>.095</td>
<td>1.171</td>
</tr>
<tr>
<td>Risk assessment</td>
<td>4.061</td>
<td>0.770</td>
<td>0.725</td>
<td>1</td>
<td>.048</td>
<td>0.017</td>
</tr>
<tr>
<td>Controlling activity</td>
<td>6.124</td>
<td>25.144</td>
<td>0.059</td>
<td>1</td>
<td>.048</td>
<td>456.583</td>
</tr>
<tr>
<td>Information communication</td>
<td>61.81</td>
<td>7.808</td>
<td>0.627</td>
<td>1</td>
<td>57962.640</td>
<td>483.415</td>
</tr>
<tr>
<td>monitoring activity</td>
<td>10.968</td>
<td>8.638</td>
<td>1.612</td>
<td>1</td>
<td>.024</td>
<td>57962.640</td>
</tr>
<tr>
<td>Constant</td>
<td>-57.540</td>
<td>42.774</td>
<td>1.181</td>
<td>1</td>
<td>.048</td>
<td>0.000</td>
</tr>
</tbody>
</table>

a. Unless otherwise noted, bootstrap results are based on 50 bootstrap sample.

### 5. Statistical test of hypothesis

To achieve the objective of the study and to test the related hypotheses the logistic regression statistics computed in above Table 4.6.1: were considered, and demonstrated by Wald test, the level of significance (p value) and odd ratio attained by each of the independent variables. The result of logistic regression showed in Table 4.6.1: The individual test figures of control environment indicated by (Wald test = 0.00, p = .095, Exp($\beta$)= 1.171). The result showed that Control environment has no effects on hotels revenue performance as revealed by Wald test of 0.00 and the p value is also greater than significance level>0.05. The result clearly shows that control environment has no a positive significant effect in determining the outcomes. Accordingly, $H1$ which stated that
Control environment has a positive significant effect on hotels revenue, was not accepted at the 0.05 significance level.

On the other hand, the result of logistic regression showed in Table 4.6.1: The individual test figures of risk assessment indicated by Wald test = 0.725, \( p = 0.024 \), \( \text{Exp}(\beta) = 0.017 \). The result showed that risk assessment has effects on hotels revenue performance as revealed by Wald test of 0.725 and also significant in determining the outcome the p value (0.024) is less than significance level>0.05. But, the risk assessment has no positive relationship with the outcomes. Here is one way to show the relationship. i. e. Predict the odds ratio and check whether the relationship is positive or not. The odds prediction equation is \( \text{ODD RATIO} = e^{\beta 0 + \beta x_1 + \beta x_2 + \ldots + \beta x_n} \). Given this equation each predictor’s odd ratio are determined with all other explanatory variables held constant. In this regard, the odd ratio of risk assessment, when predictor changes by one unit=\( e^{(-4.611x1)} = 0.017 \), by the same calculation \( \text{Exp}(0.017) = 0.0167 \), this mean that the probability of hotels revenue increase is 1.7% given one unit increase in risk assessment. The odd ratio of risk assessment, when predictor changes by two unit=\( e^{(-4.611x2)} = 0.0000297 \). The odd ratio of risk assessment, when predictor changes by two unit=\( e^{(-4.611x2)} = 0.0000297 \). This mean that \( \frac{0.0000297}{1+0.0000297} = 0.000003 \) Or 0.0003%, the probability of hotels revenue increase is 0.0003% given two unit increase in risk assessment. Therefore, based on this result, the odds of outcomes is decrease for each additional unit change in the risk assessment. The result clearly shows that there is no positive relationship between risk assessment and hotels revenue.

Therefore, the result clearly not support the hypothesis stated that risk assessment has positive significant effect on hotels revenue. Accordingly, \( H2 \) was not accepted at the 0.05 significance level.

Thirdly, the result of the analysis support the existence of a positive significant effect on hotels revenue as revealed by (Wald test= 0.059, \( p = 0.024 \), \( \text{Exp}(\beta) = 456.583 \)). This result also showed that control activities Wald test is different from zero and has effects and also there is strong relationship between control activities and hotels revenue as revealed the odd ratio of 456.583. Also, control activities is significant in determining the outcome as the p value (0.024) is less than significance level>0.05. This result clearly show that control activities, as one of internal controls components, has positive significant effect on hotels revenue. Accordingly, \( H3 \) which stated that control activity has a positive significant effect on hotels revenue, was accepted at the 0.05 significance level. This result is consistent, to a considerable, extent, with that of (Manasseh, 2004) who’s assert that controlling activity has a significance effect on revenue which enable the organization to use different mechanism that motivate their employee for better revenue growth by providing them different incentive and reward system.

Additionally, the result of logistic regression showed in above Table 4.6.1: Also support the existence of a positive significant effect on hotels revenue as revealed by (Wald test= 0.627, \( p = 0.048 \), \( \text{Exp}(\beta) = 483.415 \)). This result also showed that information and communication has effects and also there is strong relationship, than control activity, on hotels revenue as revealed by Wald test of 0.627 and the odd ratio of 483.415 respectively. Also, information and communication is significant in determining the outcome since the p value (0.048) is less than significance level>0.05. This clearly revealed that information and communication, as one of internal controls components, has positively significant on hotels revenue. Accordingly, \( H4 \) which stated that Information and communication has a positive significant effect on hotels revenue, was accepted at the 0.05 significance level. The result of this study is consistent with that of (Elijah etal., 2013) which indicated that existence of effective information and communication systems is enable the organization to collect more revenue.

Finally, the result of the study also confirm the existence of a positive significant effect of monitoring activity on hotels revenue showed by (Wald test= 1.612, \( p = 0.024 \), \( \text{Exp}(\beta) = 57962.640 \)). The result indicate that existence of positive strong relationship, and effects of monitoring activities on hotels revenue as revealed by Wald test of 1.612 and the odd ratio of 57962.640 respectively. Moreover, monitoring activity is significant in determining the outcome as revealed by the p value (0.024) which is less than significance level>0.05. This suggests that monitoring activities, as one of internal controls components, has positively significant effect on hotels revenue. Thus, \( H5 \) which stated that monitoring activities has a positive significant effect on hotels revenue is accepted at 0.05 significant level. This
result is consistent, to a considerable extent, with that of (Charles et al., 2012) which indicate that effective monitoring all revenue agents is imperative which enable to sit up to their responsibilities and reduce the age old delay in assessment, collection and diversion of revenue of the organization.

5.1 Conclusion
In general speaking, measuring performance of internal control in every organization including hotels is very important because it can help the management to know whether the internal control contributes for the increasing of organization revenue and adds value to the organization. But, on basis of this finding researchers concluded that not all internal control components has a positive significant effect on hotels revenue. Specifically, the first two predictors of internal control systems: namely, control environment and risk assessment has no positive significant effect on the hotels revenue. But, others internal control components such as: controlling activity, information and communication and monitoring activity has positive significant effect on the hotels revenue. Furthermore, monitoring activity has a greater influence in determining the outcomes than the others internal control components.

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