If You Can’t Take the Heat, Get Out of the Kitchen:  
Calculating the Costs of a Fire at Southern Hospitality Inn

Christine Ladwig, Southeast Missouri State University  
Dana Schwieger, Southeast Missouri State University  
Raven Lawhorn, Southeast Missouri State University

Abstract
Mike Wilson, accountant for Southern Hospitality Inn hotel, was pulling together the projected costs and lost operating revenues of the hotel and the adjoining restaurant, Bridgeton Kitchen, for insurance claim filings following a devastating fire. Because the inn and restaurant had not been in business for even a year before the fire occurred, Mike also needed to rely upon industry projections for similar facilities, rather than historical sales records, to determine lost revenues. Mike had collected all of the data that he needed to start performing the calculations; it was now just a matter of doing the projections. Once the estimations were completed, Mike had to decide what information to provide the insurance company to support the hotel’s claim.

Learning Outcomes
In completing this assignment, students should be able to:

1. Estimate the operating revenue losses of a disastrous incident in a commercial setting
2. Estimate the projected revenue based upon historic trends and market conditions
3. Identify sources of alternative financial data for calculating situation costs
4. Identify the steps organizations can take to calculate the costs of a revenue loss incident
5. Identify what information should be provided to insurance companies

Application
The case is most appropriate for upper level accounting students in courses such as cost accounting, intermediate accounting and financial reporting.

Key Words
litigation support, cost accounting, cost projections, loss estimations, business interruption

Contact
Christine Ladwig, Department of Accounting, MS 5815, Southeast Missouri State University, Cape Girardeau, MO 63701. Email: cladwig@semo.edu. Phone 573-986-6121.