

4 HOSPITALITY ACCOUNTING

Prerequisites: Accounting 1

Credits: 3

Overview

This course is designed to acquaint students with the concepts of accounting theory and practices with the specialized requirements of the Hospitality Industry. The nature and purpose of accounting, double entry system, hospitality accounting documents and special journals will be examined.

General Objectives

This course is designed to:

- 1 expose students to the financial practices generally used by managers in the hospitality industry
- 2 introduce the student to the various methods used by management in the decision making process
- 3 familiarize The student with methods used to control cost within various departments of the organization
- 4 introduce the student to the overall techniques used in the pricing process of various hospitality products

Learning Outcomes

Upon completion of this course, the learner will:

- 1 Define the purpose of Internal Control
- 2 Identify important considerations in pricing.
- 3 Describe financial practices used by management in the hospitality industry.
- 4 Discuss the value of a feasibility study.

Topics

1.0 Inventory and Depreciation Methods

Objectives

Upon completion of the topic the student will be able to:

- 1.1 identify the various kinds of inventory which are found in the Hospitality Industry.
- 1.2 compile and cost an inventory using all FOUR methods of inventory valuation.
- 1.3 explain the concept and purpose for the depreciation process in the accounting system.
- 1.4 evaluate the worth of an asset for specified periods using all four methods of depreciation.

Content

- Inventory Costing systems
 - F.I.F.O
 - L.I.F.O.
 - Specific Identification
 - Average cost
- Depreciation Methods
 - Straight Line
 - Sum of the Years' Digits
 - Unit of Output
 - Double Declining

2.0 Hotel Revenue Accounting and Controls

Objectives

Upon completion of the topic the student will be able to:

- 2.1 compile a revenue statement and indicate the factors which contribute to Gross Profit.
- 2.2 discuss at least four methods of revenue control within the Hospitality Industry.
- 2.3 compile a list of expenses which normally occur within the industry, given specified criteria, and indicate their effect on the gross profit margin.

Content

- Revenue Concepts
 - Revenue Accounts
 - Net Revenue
 - Gross profit
- Internal Control for Food and Revenue Sales
 - Credit Cards
 - Guest Checks
 - Guest Charges
 - Front Office Operations
 - Daily Room Reports
 - Housekeepers' Reports
- Hotel Expense Accounting
 - Rooms
 - Food and Beverage

- Telephone
- Administrative and General
- Marketing
- Human Resources
- Energy Costs
- Fixed Charges
- Cost of food and Beverage Sales
- Payroll and Related Charges

3.0 Accounting for the End of Period Adjustments

Objectives

Upon completion of the topic the student will be able to:

- 3.1 explain the process of acceptance of payment by credit cards and its entry into the accounting system.
- 3.2 explain the accounting process for the handling of employees' meals in Food Organizations.
- 3.3 explain and apply both the perpetual and the periodic methods of inventory taking and show how they are handled in the accounting system.

Content

- Accounting for credit card fees
- Accounting for employees' meals
- Accounting for un-collectible accounts
 - The Allowance Method
 - The Income Statement Approach
 - The Balance Sheet Approach
 - The Direct Charge-Off Method
- The Periodic Inventory Method
 - Perpetual Inventory Method
 - Periodic Inventory Method

4.0 Hotel Financial Statements

Objectives

Upon completion of the topic the student will be able to:

- 4.1 design a chart of accounts and explain the rationale used for the design.
- 4.2 prepare a departmental financial statement in accordance with the requirements of the uniform system of accounting.

- 4.3 prepare a cash flow statement and explain the rationale for the statement.
- 4.4 discuss the purpose of using "notes to the financial statement" and explain their applicability in the financial system.

Content

- The Management Information System
 - The Chart of Accounts
 - Account Numbering Systems
 - Departmental Income Statements
 - Departmental Expenses Statements
 - Schedule to the Financial Statements
 - Notes to the Financial Statements
 - Statement of Cash Flows

5.0 Property and Equipment Accounting

Objectives

Upon completion of the topic the student will be able to:

- 5.1 explain the accounting process for the handling of the acquisition of land and equipment and other miscellaneous equipment.
- 5.2 explain and apply the processes of depreciation and amortization within the accounting system, given specified criteria.

Content

- Acquisition Costs
 - Land with building to demolish
 - Land and building for a lump sum
 - Equipment requiring special installation
 - Land Improvements
 - Building Repairs and improvements
 - China, Glassware and Silverware
 - Uniforms and Linen
- Depreciation of Property and Equipment
 - Straight Line Method
 - Declining Balance Method
 - Sum of the years digits
 - Depreciation of China, Glassware and Silverware
 - Amortization of Leaseholds
 - Disposal of Property and Equipment

Instruction Format

Lectures will form the basis for the presentation of the information.

- Flip Charts and overhead projector will be used to enhance the study and learning processes where the data to be presented proves to be complex.
- Students will actually make their own transactional entries and will be given specified information and data to self-designed ledgers and will also make the appropriate adjustments and compile and produce the appropriate financial statements from their own self designed ledgers.

Assessment and Evaluations

The assessment for this course takes the following form:

- 2 term tests - 25% - one test covers topics done in weeks 1-4 and the other covers topics done in weeks 5-9.
- An individual comprehensive term assignment and graded homework exercises – 15%
- A final exam worth 60%

Recommended Text

Accounting Practices for Hotels, Motels and Restaurants, Paul Dittmer, Bobbs-Merrill.

Understanding Hospitality Accounting I, R Cote; published by Educational Institute of the American Hotel and Motel Association.

Financial Accounting: An Introduction to Concepts, Methods and Uses, 2012, Roman L Weil, Katherine Schipper & Jennifer Francis; published by Cengage Learning

Financial and Managerial Accounting, 9th Edition 2004, Carl S Warren, James M Reeve & Philip E Fess; published by South-Western College

Hospitality Management Accounting, Michael Coleman

Resources

Hotel Financial Statements

Industry Statistical Publications

Uniform System of Accounts for Hotels.

Attendance

Students are encouraged to attend all class sessions as all information presented may not be covered in the required text. Participation of students is an integral component of the learning process.