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Hotel Accounting

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terity, to aid in the liberation of the mind of man everywhere and in the establishment of free societies." Also she stated that with increased privilege has come greater responsibilities for women, and she urged that they exercise their voting right, for in this country the ballot box is the means of self-government. She quoted a Supreme Court Justice who said recently: "It is not the function of our government to keep the citizen from falling into error; it is the function of the citizen to keep the government from falling into error."

SAN DIEGO

Mr. Byron Lindsley, attorney, spoke on "Contracts" at the February meeting. "Differences in State and Federal Income Tax" were explained in March by Mr. Hirsch Segal, C.P.A., of the Franchise Tax Board of California.

The Public Relations Committee has been authorized to send subscriptions for THE WOMAN C.P.A. to the San Diego Library, San Diego State College, San Diego Vocational School, and Balboa University.

SAN FRANCISCO

"Legal Aspects of Accounting" was the interesting topic chosen by the February guest speaker, Mr. Robert W. Scott, attorney. The speaker at the March meeting was Mr. Maurice C. Ulmer, and his subject, "Changing Trends in Credit." Mr.

Ulmer is a past president of the Credit Managers' Association and an instructor of credits and collections for the University of California Extension Division.

SEATTLE

In February Mr. Adlore Kehoe, attorney, presented an interesting and informative lecture on the "Excess Profits Tax Act of 1950." Highlighting the March meeting was an explanation by Mr. Robinson C. Jenner of "Siwash Economics" (State of Washington economics). Pauline A. King led the discussion of "Accounting for the Construction Industry" in the March study session.

TERRE HAUTE

In February Mr. J. Ellis Overlade, Warden at the United States Penitentiary in Terre Haute, talked about accounting procedures and forms used at that institution. An insight into banking was obtained in March from Mr. Nelson Schroeder, Assistant Trust Officer of Terre Haute First National Bank.

TOLEDO

"Accountants' Responsibility for Property Accounts" was the interesting topic presented in February at a joint meeting with NACA by Mr. Wm. Armstrong, Vice-president of the American Appraisal Company.

HOTEL ACCOUNTING

By CHARLOTTE ANN LAWRENCE *

The procedures used in hotel accounting are basically the same as other accounting procedures; however, this field is a specialized one as it is devised to meet the needs of an industry which operates 24 hours a day and 365 days a year.

Most hotels use the "Uniform System of Accounts for Hotels" which was prepared during 1925 and 1926 by a group of accountants for the Hotel Association of New York City.

This system was organized in such a way that it could be adapted by all hotels whether large or small, European or American plan, as well as apartment and resort hotels. The use of this system makes possible comparisons between several hotels or groups of hotels. The different hotel accounting firms supply statistics showing comparisons between hotel operations all over the United States.

Under this "Uniform System of Accounts," the records include a general ledger, accounts receivable ledgers (such as city, banquet, and delinquent ledgers) books of original entry comprising cash books, earnings record book, allowance record book, room statistics, restaurant and beverage statistics, a general journal and a monthly journal. Some hotels do not carry an accounts payable ledger but use the voucher register both as a journal and

* Charlotte Ann Lawrence is a member of the New York Chapter of ASWA. This article was the basis of a talk given by Mrs. Lawrence before the New York Chapter, ASWA. Mrs. Lawrence is employed with the public accounting firm of Harris, Kerr, Forster Co. and presently is resident auditor for a large hotel.

ledger. As discounted bills are paid every ten days and all other bills paid by the tenth of the following month, the number of the check paying each bill is entered opposite the voucher number and the open balances at the end of the month constitute your accounts payable trial balance and should agree with the control figure in your general ledger.

The general ledger in the "Uniform System of Accounts" is a very interesting one. The first half is made up of the asset and liability accounts, and the latter half of the income and expense accounts. In these latter accounts such as rooms, food, beverage, telephone, etc., the income and allowances are posted and all expenses are entered and spread across the many columns under their respective headings. The operation of each department is carried under one account and gives the monthly detail; also the year to date figures and the profit earned or loss incurred. The income and expense accounts are followed by pure expense accounts such as Administrative and General, Advertising, Payroll Taxes and Employee Relations, Heat, Light and Power, Repair and Maintenance, etc.

When the books are closed for the month the financial statements are prepared. These statements are quite lengthy and require considerable work but give a simple and clear summary of the hotel's entire operation for that month together with the year's accumulated figures; also comparison figures with the same month of the previous year, and year to date figures.

Statistics for the Rooms, Restaurant and Beverage departments are worked out in great detail and give management and ownership a complete over-all picture of the entire operation of the hotel for the period under review.

The monthly report also includes a cash statement, a consolidated statement of income and expense, a balance sheet, profit and loss statement, a schedule of each operating account, and a complete payroll analysis. Comments are made by the auditor on the different operating accounts and on any unusual activity during the month.

One of the important phases about hotel accounting is the procedures for handling accounts receivable for hotel guests in order that the account is kept posted to date so that when a guest checks out a completed bill can be handed him without delay. This is a problem which is peculiar to the hotel accountant. The guest cards are set up and kept currently posted by the front office cashiers and bill clerks.

At this point I should like to explain the transcript which is a record of guest accounts and is set-up at night by the night auditor and handed over to the day auditor each morning completed and in balance, and supported by all records of income and vouchers for charges and payment credits. The transcript is made up of a number of sheets, each sheet covering the room numbers for one floor. It opens with the balance for each guest room which was the preceding day's closing balance, and the room rent, occupancy tax, all charges such as restaurant, beverage, telephone, and sundries, and all credits such as allowances, transfers, and cash payments are posted thereto. A balance for each room account is then entered which should agree with the guest ledger card balance. When the transcript is complete it is checked each day by the control clerk and all income, charges and credits are verified. Special attention is given to arrivals and departures to ascertain the number of rooms rented, vacant, out of order, complimentary, the number of guests, and the percentage of occupancy.

After the transcript is controlled and verified a daily report for management is made up which gives a complete daily summary of all operations together with daily and monthly comparison figures and numerous room, restaurant, and beverage statistics. At all times management has a complete picture of the operation of the hotel.

In hotel accounting there is a tremendous amount of detail and at all times the auditor must be prepared to take over any uncovered job due to absence as it is impossible to carry over much of the work since it must be completed that day and everything in balance for the next day's business. Most hotels are unionized and the auditor and paymaster should be acquainted with union procedure, state labor laws, union insurance, and all deductions which effect taxes.

Taxes constitute one of the largest problems for the hotel accountant as there are a large number of taxes, e.g., city sales and compensating use tax, city utility, city occupancy of hotel rooms, gross receipts tax, a return for occupancy of hotel rooms used for business purposes, state utility, state franchise, state unemployment, disability benefits, workmen's compensation, federal cabaret and admission tax, federal withholding, federal unemployment, federal old age security, and federal income tax.

In connection with the restaurant and beverage departments, complete physical inventories of food and liquor are taken

the last day of each month, priced and extended. It is necessary that these are as nearly accurate as possible so as to enable the auditor to reach a correct food and liquor cost. All utilities such as steam, gas, electricity, and water, are accrued at the end of each month from the readings given the auditor by the chief engineer.

The monthly closing of the hotel books differs in many respects from that in other industries. Until the actual business for the last day of the month is completed and entered in the daily records, nothing can be posted to the general ledger. After the trial balances for the accounts receivable ledgers are drawn off and found in balance with the control, the bank statements verified and balanced with the cash books, the food and liquor inventories taken and priced, the entries or the monthly journal are made and entered. Most of these are on an accrual basis such as payroll, payroll taxes, utilities, etc. Reserves for linens, china, silver and glass are based on the earnings for the month. The monthly allocation for all prepaid and deferred expenses is also set up. Provisions for real estate and sewer taxes, insurance, interest on notes and loans, depreciation on building, furniture and other items are entered monthly.

No entries are made in the accounts payable register until the end of the month as all bills are checked against statements and each statement vouchered as one item. In the case of food bills there can be thirty bills in one month for one vendor; therefore, it is expedient to use one voucher per month for each vendor. All items are entered as a credit to accounts payable and expensed across a columnar journal under the various departmental headings..

It requires about the first ten to twelve days of each month to prepare the entries and post everything to the general ledger. By the fifteenth of each month the books are closed and the financial statement is completed.

It is very necessary that the auditor of a hotel establish a close working relationship with all department heads and in addition to doing a through accounting job to actually know what is going on in the basement, kitchen, front office, and all parts of the hotel, because hotel accounting covers not only the book figures but it actually tells the story of the hotel itself.

In closing I might add that this field of accounting is a very interesting and stimulating one, with plenty of detail and responsibility and there is never a dull moment in the life of a hotel auditor.

WHAT'S NEW IN READING

RUTH C. FORD, CPA, Columbus, Ohio

ACCOUNTING TRENDS AND TECHNIQUES In Published Corporate Annual Reports 1950 Edition, prepared by the Research Department, American Institute of Accountants. This is the fourth annual cumulative study of corporate annual reports of a specific group of 525 companies. The reports analyzed in this edition are those with fiscal years ended between July 1, 1949 and June 30, 1950.

If you are keeping in touch with the recommendations which have come from Committees of the American Institute of Accountants you will be more than interested to learn how business and its auditors have accepted the principles laid down in the Institute Bulletins.

Have you been reading about the new terminologies? Do you still call the statements "balance sheet", "statement of profit and loss" and "surplus"? Do you still have "reserves" for bad debts or depreciation? Do you still have "fixed assets"? You may be amazed by the rapidity in which corpor-

ate reports have turned to new terms, "statement of financial position or condition", "allowances or provisions for doubtful accounts", "stockholders' equity", "retained earnings", etc.

Have you seen what fascinating things are being done with the "Application of Funds" statement. Did you know that this statement revised and dressed up in a new title such as "Summary of Financial Operations" or "Changes in Working Capital" is becoming a major statement in the financial report and is sometimes included in the auditors' "opinion".

If you are in public accounting you can't miss this valuable aid toward keeping up with the times. If you are in business you will want this book at your elbow when you prepare your next financial statement. If you teach you will want to know how the things you have probably been teaching are being practiced. Our order is placed for each edition weeks in advance of publication. Let's all catch up with the trends.