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## Accounting for a Modern Hotel\*

By A. G. MACMAHON

The accounting necessities of a modern hotel differ widely from the simple requirements of the fast-disappearing commercial hotel, conducted on what was termed the "American plan," wherein the guest was charged a modest sum of so much a day, which covered room, meals and services, including, very often, the personal attention of the proprietor. In the huge modern hotels, housing from 500 to 2,000 guests, the room rate is the only thing that is certain by the day, all meals and other services being at rates according to service. This development in the method of conducting hotels involves peculiar accounting necessities not found in other kinds of business.

Practically all modern hotels are operated by what are known as operating companies. They are seldom conducted by the parties or companies owning the lands and buildings. It is usual for a company to be organized to purchase or lease for a long term of years the site for the hotel and to erect thereon the hotel building. An operating company is organized which leases the building, usually at a fixed rental. Ordinarily the company owning the building will furnish and equip the hotel, although this is sometimes done by the operating company. The accounting for the company owning the building presents no unusual features, but the accounting necessities of the operating company become quite complex and diffuse, as the hotel of today is a veritable city within itself. Many of them contain power plants, artesian water systems, printing plants for their stationery and menus, machine shops, carpenter shops, paint shops, as well as upholstering and electrical departments, all of which are usually "below the street" and quite unknown to the traveling public.

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### FRONT OFFICE

The first step in the accounting of the revenue in a hotel is when the guest signs his name on the hotel register and is assigned to a room. Immediately the room clerk or, in the larger hotels, one of the front office clerks, makes out a slip in triplicate or quadruplicate, on which is written the guest's name, room number, rate and date of arrival. This slip is about three inches long and three-quarters of an inch wide. One slip is placed in the room rack, which is arranged numerically by floors, indicating that the room has been sold; one copy is sent to the mail clerk who places it in his rack in alphabetical order; and the other copies are sent to the telephone operators and to "information," and in both places are racked alphabetically. Frequently these slips have the day of arrival printed in a different color for each day of the week. This is to attract attention of the night auditor, one of whose duties it is to see that all bills are rendered weekly.

The register sheets, which should be loose-leaf, are taken by the front-office bookkeeper, as soon as the guest is assigned to a room, and he opens an account for the guest in the guests' ledger. This ledger is sometimes of the loose-leaf variety; but more often it is a card ledger or what is known as a "room book." The room book requires some explanation, as it is to be found only in hotels. It is like a sales book such as is used by salespeople in a department store. It is ordinarily about nine inches by six inches in size and contains fifty pages, i. e., fifty original sheets, and has two carbon sheets to each original sheet. On the front cover it has spaces for the room number, when opened and when closed. Where these books are used a rack is provided, arranged according to room numbers, and under or over each room number there is a space large enough to hold one room book. When a guest is assigned to a room, the bookkeeper takes the book for that room and enters the name, address, rate and date of arrival. The sheets are provided with columns for charges from the café and sundries. When the guest pays his bill the first copy is given him as a receipt; the second copy goes to the auditor to support the collections and accruals; and the original is left in the book for the permanent record. Under this system the rack is the ledger and the room books represent the pages.

The front-office bookkeeper enters in the guests' ledger the charges from the restaurant, laundry or any other service or ex-

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penditure on behalf of the guest, which are obtained from the cashbook, restaurant checks, laundry, tailor sheets, etc. The cash credits to the guests' ledger, where the room book is in use, are the care of the cashier, who, when the guest asks for his bill, makes the calculation of the number of days since arrival, totals the bill and enters the payment on his cash receipts sheet. These receipts are checked nightly when the night auditor compares the cash receipts with the room books. Where the loose leaf or card ledgers are used the bookkeeper makes the bill and credits the guest's account from the cash receipts book. The charges and credits to the general books from the front office are made from the summary sheet prepared by the night auditor.

#### RESTAURANT AND CAFÉ

Most modern hotels conduct one or more dining-rooms, and the same system is applicable to all, whether they are termed dining-rooms or restaurants. Each dining-room has its own cashier, who ordinarily is supplied with an imprest working fund in order to make change. As a check, on which is written the guest's order, is necessary for the waiter to procure food from the kitchen and as the food represents money, the control over these restaurant checks must be strictly maintained. Ordinarily the cashier is supplied with the checks from the auditor's office. These checks are numbered serially and the cashier has a sheet provided with columns, one of which is for the numbers of the waiters. Before each meal the waiters secure a supply of checks from the cashier, who enters the numbers of the checks supplied in the column for the number, and as these checks are paid or come through for charging a guest, the cashier checks the number. When the waiter goes off duty he must turn in to the cashier any checks not used. It is usual to charge the waiter for any checks lost. It sometimes happens that when a waiter serves a party he will pocket the money and gladly pay the small fine for losing the check, but as all food is checked out of the kitchen, i. e., the waiter must pass in front of an employee known as the "food checker," who sees what is on the tray and takes the guest's check and prints the prices on it by running it through a register, which also registers the amount of the check, thus recording all food taken out of the kitchen by each waiter, it is possible to prevent such actions. Should the total of the checks turned in to the cashier by a waiter be less than the amount registered against him

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by the food checker the difference would represent his theft. The checks that are to be charged to the guest's ledger, when the guest instead of paying cash signs his name and room number on the check, should be handled with extreme promptness—which means within a very few minutes—and be sent to the front-office book-keeper as soon as received by the dining-room cashier; otherwise a guest may finish his dinner and immediately "check out," thus leaving unpaid the amount of his dinner check. The cashier's sheet is provided with columns for check number, cash checks, charge checks and waiters' numbers. Before commencing duty all blank checks in a cashier's possession are listed numerically and then entered in the column for waiters' numbers as they are handed to the waiters. As each check is used and comes back to the cashier with the cash or for charge, the amount of the check is entered in the amount column opposite the respective check number, and then extended into the cash column, if the check is paid, or into the charge column, if the check is to be charged to a guest. The cash is reported on the cashier's daily report, which is the cashier's sheet previously described. It is turned in to the general cashier with the total daily receipts, which, of course, must agree with the total of the cash checks column.

### NIGHT AUDITOR

The night auditor is peculiar to the hotel business. He audits all the transactions of the front office. This work he performs each night from about eleven o'clock to seven. During that time he audits all the transactions of the day ending when he commences work as affecting the front office. One night auditor can attend to from three hundred to four hundred rooms. Thus in the larger hotels several night auditors are required. The hotel business being one in which everything is transient, it is imperative that any errors be found immediately, for the disclosing tomorrow of an omitted charge to a guest may serve no monetary use, as by that time the departed guest may be five hundred miles away. The night auditor is provided with a summary sheet, which may be termed "front-office accounts receivable," "room earnings," or any such descriptive title, but the principle of accruals is the same, regardless of designation. These summary sheets are printed and arranged by floors, with a line for every guest room in the house, and arranged numerically. On the left side is a column for the room number, and, if the system is cumulative, i. e., carrying for-

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ward the balance for each room from day to day, there will be a column for balance, columns for room, tailor, laundry, café or dining-room, telephone, transfer, cash and sundries. The sum of these items, excluding the balance in the second column, is placed in the total column, which represents the total charges for the room to the front-office accounts receivable. Following the total column of the charges is a section for credits, containing columns for cash, allowances, delinquent ledger, transfer and total. The sum of the credit columns is inserted in the total column and represents the credit to front-office accounts receivable. Where the cumulative method is in use the debit total column is added to the balance column, from which is deducted the credit total column, thus giving the new balance, which is inserted in the last column headed "balance," which forms the new balance to be inserted in the second column headed balance on the summary sheet for the next day. As before mentioned, these summary sheets are arranged by floors, so that valuable statistics can be prepared therefrom as to room earnings, floor earnings, house count, etc.

The chief peculiarity of the night auditor's duties is that he verifies each transaction independently of the guests' ledgers and finally reconciles with them. The usual procedure is to take the reports from tailor, laundry and telephone, and the cash receipts and cash disbursements sheet, enter all charges and credits on the summary and then prove the result against the original records. He abstracts the charges for dining-room from the dining-room cashier's report, previously described, and posts the charges to the respective rooms. The point here is that the front-office book-keeper charges the guests' ledger from the dining-room checks, which are sent to him during the day by the dining-room cashier, whereas the night auditor posts his summary sheet from the dining-room cashier's report. Here the night auditor commences to verify the work of the front-office force. He checks the guests' ledger by room numbers and on his summary enters the room revenue for the day, which he obtains from the room book or account, as the case may be, the rate being entered on the room book or guest's account. While performing this operation he checks each charge or credit on the guest's account with the charges and credits for that room on his summary, and in this manner verifies all the charges and credits to the individual guest at one time, thus handling the ledger sheet or room book once. This method, whereby he

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assembles all the charges and credits independently, reduces the likelihood of passing over an error in posting on the part of the bookkeeper. The number of rooms producing revenue on the summary may be confirmed by checking the summary with the room rack, which contains slips for all rooms occupied. It is also advisable to check the rate shown by the slip in the room rack. As a further provision against failure to account for all revenue, the register sheets may be compared with the room rack, which will disclose the presence of a guest registered for whom an account has not been opened. The accuracy of the room rack may further be verified by the housekeeper's daily report, which is a list of all room numbers, on which are noted all rooms actually occupied each night. The column for delinquent is for transferring to the ledger unpaid charges, which are part of the front-office accounts receivable, and is used for keeping charges for departed guests. When a delinquent guest comes to the hotel, these charges are transferred to the guests' ledger.

When the night auditor completes accruing the room earnings and checking all charges and credits he carries the totals of each sheet to a recapitulation sheet, which is arranged in the same form as the summary sheets, and this recapitulation is the basis of the entry placing the revenues on the general books. This sheet is usually provided with a control for the front-office accounts receivable, arranged to show balance yesterday plus charges for today according to the recapitulation sheet, less the credits for today, according to the recapitulation sheet. The result is today's balance, and a trial balance, if taken, should be in agreement therewith. In hotels in which the cumulative system is used, it is possible to have a trial balance each day, as the night auditor's summary sheet will reflect the balance opposite each room, and if the amount as shown by the room book or guest's account is in agreement, there is automatically a trial balance each day, as the summary sheet is in reality the guests' ledger in another form. This method entails more work and requires additional night auditors for a given number of rooms, but the added expense is repaid by the satisfaction of knowing that the front-office accounts are correct. A journal entry is prepared from these daily summaries compiled by the night auditor, charging front-office accounts receivable and crediting room revenue, dining-room, tailor, laundry and telephone revenues.

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### OTHER DEPARTMENTS

Many hotels operate coffee rooms or lunch counters, and these are conducted in some ways like the dining-room. Each room has its cashier and the customers' checks are in serial numbers for which there must be account; but as these places are conducted to give quick service, the food is not checked out of the kitchen as it is when sent to the dining-room. The greater part of the food is kept behind the counter and served by the waiters or waitresses. Unduly large portions or items omitted from the customers' checks are left to the superintendents to detect. Payment for all service is usually made in cash. The cashier rings up the sales on a cash register, which is proved by running an adding machine list of the checks and seeing that all checks are turned in. As each customer pays his own check, as a rule, there are, of necessity, some "walk outs"; but as long as the missing checks are within reason it would seem that the receipts are properly accounted when the checks turned in agree with the cash register readings. The cashiers make daily reports from the checks turned in, and the amounts are verified by the night auditor, who makes a reading of all registers nightly. The daily reports as made by the cashiers are turned in with the cash receipts to the general cashier, who charges his cash and credits lunch room revenue on his cash receipts book.

The barber shop, cigar stands, beauty parlor and soda stands are on a cash basis, with a cashier for each stand, and as all sales are rung up on a cash register, these departments present no unusual features. The several cashiers make daily reports which are turned in with the receipts to the general cashier, who credits the respective revenue accounts through the cash receipts book.

### STOREROOM

The storeroom does not present any accounting peculiarities, although it contains many features unlike a general storeroom that make the reconciling of the inventory on hand very difficult. It is charged through the voucher register with all purchases and is credited through the issue journal with all withdrawals. The supporting bills for the vouchers go through the regular course and must be approved by the proper persons. All goods and materials are withdrawn on requisitions properly authorized. These requisitions go to the auditor's office, are checked as to price and extensions and are entered in an issue journal, crediting the store-



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room and charging the department receiving the goods. It would seem that the reconciling of the storeroom account on the general ledger would be simple, as all withdrawals are on requisition, but on account of the perishable nature of much of the stores and the amount of breakage which is not covered by requisitions, the physical inventories are usually at great variance with the book figures, and it is always difficult to overcome these discrepancies.

### AUDITOR'S OFFICE

The general accounting offices in a hotel are usually referred to as the auditor's office. Here all transactions are verified before entry on the general books, and in a well organized office the check on all departmental activities is very thorough.

The general cashier ordinarily is in this department. He receives the daily reports from all the cashiers in the house, checks the amount of cash turned in and enters it in the general cashbook, which is provided with columns for each source of revenue. At the end of the month the totals of the various revenue accounts in the cashbook are credited to their respective revenue accounts in the operating ledger, and the total receipts are charged to the various banks in the general ledger, all receipts being deposited intact each day.

The voucher register contains columns for each department and class of expense. All bills are properly authorized for payment and are handled like vouchers in any other business.

Cheques issued in payment of vouchers should be prepared by someone other than the cashier and be entered in the cheque register in the usual manner.

Requisitions should be audited each day. They should be assembled, and a summary should be prepared of the preceding day's business, the total of which will be entered in the issue journal. This is simply a journal entry. At the end of the month the totals of the various columns of the issue journal will be charged to the departments concerned, and the total of all issues will be credited to storeroom.

It will be found that practically all hotels have income from rents, concessions, etc. These should be accrued monthly by a charge to the debtor and a credit to the particular revenue account.

Where the power plant is giving service to outsiders, this service usually will be authorized by proper contracts, and the

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charges to the customers will be made monthly from the report of the chief engineer, who reports power generated and used, which, of course, can be verified by the meter records. In order to keep a check on the cost of operating the power plant, it is usual to credit the power plant with the amount of power used at a rate somewhat less than that at which it could be purchased from a power company, and this will show as a departmental revenue, but it will be offset by the operating cost of the plant, the revenue from outsiders being the actual revenue.

The payrolls require close attention, and on account of the many changes from week to week the advances on payroll are usually very large. The payrolls should be handled on a time-clock basis and, apart from the heavy advances, have no special features.

All hotels have general ledger accounts for fixed assets, equipment, furnishings, silverware, etc., and these are handled as they would be in any other line of business, with the exception of the furnishings and equipment, which are subject to heavy depreciation and consequently require generous provision for repairs and renewals.

There are many internal checks on departmental activities which are quite complex and interesting but do not come within the scope of a paper on accounting.