Background

Generally accepted practices for the Hospitality industry involves the use of a Chart of Accounts that is organized to provide both good departmental profit and rich statistical analysis. Departmental profitability is widely used to manage hotels as it provides the information needed to make decisions in an environment that is often subject to both seasonal and general economic fluctuations.

Seasonal fluctuations affect some locations and types of operations more than others, but virtually every property experiences some amount of revenue variation that requires management to make decisions regarding expense management, especially staffing, the biggest single expense variable that management has the ability to control in the short term. It is also an industry that tends to be first impacted by general economic downturns and the last to recover when the economic growth turns positive.

Therefore, analyzing performance by department is widely accepted as a way to provide management with the information needed to make decisions such as when to close or reposition restaurants, or to use slow periods as opportune times to renovate rooms.

By organizing the Chart of Accounts to accurately allocate revenue and expense by department, management is able to focus on decision making in the areas over which it has control; fixed costs such as taxes and mortgages being unchangeable in the short-term. Standard industry metrics such as Occupancy Percentage, Revenue per Available Room (RevPAR), Revenue per Cover, allow management to compare performance historically as well as to readily available national and local comparisons.

The Uniform System of Accounts for the Lodging Industry (USALI) originated in 1926 in New York City, when the New York Hotel Association published the first edition as a response to a generally held belief that hotels needed to use a common set of standards for reporting revenue and expenses in order to provide credible data to bankers and investors. The current version, the Tenth Edition, was published in 2006. Versions of this standard have evolved for Club, Casino, and Spa operators.

Concepts

There are two considerations that are significant in any Chart of Accounts. The first of these is the level of detail required. It should be appropriate for the size and complexity of the operation. A small limited service hotel with no food and beverage operation does not require the number of accounts a large resort with rooms, restaurants, golf, marina, etc. requires to track all revenues and expenses. The general guideline is care should be taken to anticipate the level of analysis that will be done, and if in doubt, err on the side of adding accounts to track a specific balance. While adding accounts later is generally easy, maintaining a good, structured chart is more easily done if some thought is put into its initial design.

This influences the number of characters used for each portion of the account. In its simplest form, for example, the main account code does not need to be 6 characters if the total chart is only 500 accounts.
The second consideration is the actual account structure to be used. This is important both in terms of providing the foundation for the type of departmental profitability discussed above and to allow easy management of the data using modern data management and reporting tools.

Typically, most operators utilize software that stores the data in a relational database and use either the tools of that product, a generic product such as Crystal Reports, or spreadsheets such as Excel to provide the final reporting. Today’s Excel product has evolved to allow much more sophisticated analysis though the use of Pivot tables which rely heavily on a well-structured database.

Data Plus strongly supports the recommendations detailed in the Ninth Edition of the USALI describing an account structure that involves a Main Account – Department Account structure. Following is the excerpted chapter that describes this organization.

The use of a Main Account – Department structure allows for the consistent use of a single account for a type of revenue or expense. This makes it easy to both construct departmental profit and loss statements as well as to analyze expenses across departments. For example by having a single main account for Uniforms or Employee Benefits, it becomes much easier to determine department profitability while aggregating these expenses for the entire operation.

Further, this type of structure allows the software the ability to provide more sophisticated functionality such as automatic substitution of Department code in order to correctly associate the Employers portion of the Social Security tax based on the employee’s department – an important consideration when evaluating the true employment costs for a department.

Data Plus offers a suggested standard Chart of Accounts that is based on this concept, but from experience with hundreds of properties of varying complexity, it is realized that the actual numbers (or letters) used, the size of each part, or even the need for a Sub-Account is best determined by the property.

Data Plus also offers a ready-made set of financial reports based on the Tenth Edition of the USALI for the convenience of users. While these are widely accepted by lending institutions that have become knowledgeable in their reliability in providing quick and accurate analysis of an operation’s profitability, they are often considered to be insufficient in the detail needed for operational management.

In summary, the position of Data Plus is that a well-structured Chart of Accounts is important to support the long-term reporting needs of the organization and to allow the software to provide the highest level of efficiency in transaction processing.
Section 14
Sample Chart of Accounts

The following pages present a sample chart of accounts which is intended to be used only as a guide to establishing an accounting system for recording business transactions. It is designed to be broad enough to have a major number for each account that is regularly used in standard reporting, and sufficiently detailed to provide sub-accounts for all departments or areas of significance.

The sample chart of accounts uses a twelve-digit numbering system, consisting of four clusters of three digits each. The clusters are defined as follows:

<table>
<thead>
<tr>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
</tr>
</thead>
<tbody>
<tr>
<td>XXX</td>
<td>-XXX</td>
<td>-XXX</td>
<td>-XXX</td>
</tr>
</tbody>
</table>

- Sub-accounts useful for analysis and control
- Major accounts on the balance sheet or income statement
- Revenue departments or cost centers
- Property number

No attempt has been made to meet the specific needs of every property. The chart of accounts presented here is sufficiently flexible to allow companies, individual owners, or managers to add or delete accounts to meet the needs and requirements of their properties. For example, a single property owner/operator may choose to eliminate the first and fourth clusters, using only the second cluster to represent departments and the third cluster to indicate the major general ledger accounts.

As another example, one company might define Cash as account number 100 within the third cluster and use the fourth cluster to indicate individual banks (First National, City Savings and Trust, etc.), while another company might use the fourth cluster to indicate the type of account, such as House Funds, Checking Account, or Payroll Account. It is also possible to use the third and fourth cluster to indicate both the individual bank and the type of account.

Since it is more likely that smaller properties might find a suggested chart of accounts useful, the following is provided for that purpose. Only the second and third cluster are used.

The suggestions for assigning the digits within the second cluster (revenue department or cost center) are:

000 The whole lodging property; no specific department
100 Rooms Department as an entity; possible subdivisions include:
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120 Front Office
140 Reservations
160 Housekeeping
180 Uniform Service
200 Food Department as an entity; possible subdivisions include:
   210 Coffee Shop
   220 Specialty/Fine Dining Room
   230 Banquet Department
   240 Room Service
   270 Kitchen
   290 Employee Cafeteria
300 Beverage Department as an entity; possible subdivisions include:
   310 Bar/Lounge
   320 Banquet Department
400 Telecommunications Department
500 Gift Shop
550 Garage and Parking
570 Other Operated Departments
590 Rentals and Other Income
600 Administrative and General as an entity; possible subdivisions include:
   610 Accounting
   620 Data Processing
   640 Human Resources
   650 Purchasing
   670 Security
   690 Transportation
700 Marketing
800 Property Operation and Maintenance
850 Utility Costs
900 Management Fees
950 Fixed Charges

Suggestions for assigning the digits within the third cluster (major accounts) are:
100–199 Assets
200–279 Liabilities
280–299 Equity
300–399 Revenue
400–499 Cost of Sales
500–599 Payroll
600–699 Other Expenses
700–799 Fixed Charges

The following pages provide a more detailed assignment of the major account numbers.
ASSETS

100 Cash
101 House Funds
103 Checking Account
105 Payroll Account
107 Savings Account
109 Petty Cash
110 Short-Term Investments
120 Accounts Receivable
121 Guest Ledger
122 Credit Card Accounts
123 Direct Bill
124 Notes Receivable (Current)
125 Due from Employees
126 Receivable from Owner
127 Other Accounts Receivable
128 Intercompany Receivables
129 Allowance for Doubtful Accounts
130 Inventory
131 Food
132 Liquor
133 Wine
135 Operating Supplies
136 Paper Supplies
137 Cleaning Supplies
138 China, Glassware, Silver, Linen, and Uniforms (Unopened Stock)
139 Other
140 Prepaids
141 Prepaid Insurance
142 Prepaid Taxes
143 Prepaid Workers' Compensation
144 Prepaid Supplies
145 Prepaid Contracts
146 Current Deferred Tax Asset
147 Barter Contracts Asset
149 Other Prepaids
150 Noncurrent Receivables
155 Investments (not short-term)
160 Property and Equipment
161 Land
162 Buildings
163 Accumulated Depreciation—Buildings
164 Leaseholds and Leasehold Improvements
165 Accumulated Depreciation—Leaseholds
166 Furniture and Fixtures
167 Accumulated Depreciation—Furniture and Fixtures
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168 Machinery and Equipment
169 Accumulated Depreciation—Machinery and Equipment
170 Information Systems Equipment
171 Accumulated Depreciation—Information Systems Equipment
172 Automobiles and Trucks
173 Accumulated Depreciation—Automobiles and Trucks
174 Construction in Progress
175 China
176 Glassware
177 Silver
178 Linen
179 Uniforms
180 Accumulated Depreciation—China, Glassware, Silver, Linen, and Uniforms

190 Other Assets
191 Security Deposits
192 Deferred Charges
193 Long-Term Deferred Tax Asset
196 Cash Surrender Value—Life Insurance
197 Goodwill
199 Miscellaneous

LIABILITIES

200 Payables
201 Accounts Payable
205 Dividends Payable
207 Notes Payable
209 Intercompany Payables

210 Employee Withholdings
211 FICA—Employee
212 State Disability—Employee
213 SUTA—Employee
214 Medical Insurance—Employee
215 Life Insurance—Employee
216 Dental Insurance—Employee
217 Credit Union
218 United Way
219 Miscellaneous Deductions

220 Employer Payroll Taxes
221 FICA—Employer
222 FUTA—Employer
223 SUTA—Employer
224 Medical Insurance—Employer
225 Life Insurance—Employer
226 Dental Insurance—Employer
227 Disability—Employer
228 Workers' Compensation—Employer
229 Miscellaneous Contributions
230 Taxes
231 Federal Withholding Tax
232 State Withholding Tax
233 County Withholding Tax
234 City Withholding Tax
236 Sales Tax
238 Property Tax
241 Federal Income Tax
242 State Income Tax
244 City Income Tax
255 Advance Deposits
260 Accruals
261 Accrued Payables
262 Accrued Utilities
263 Accrued Vacation
264 Accrued Taxes
267 Barter Contracts Liability
269 Accrued Expenses—Other
270 Current Portion—Long-Term Debt
272 Other Current Liabilities
273 Current Deferred Tax Liability
275 Long-Term Debt
276 Capital Leases
277 Other Long-Term Debt
278 Long-Term Deferred Tax Liability

EQUITY

For Proprietorships and Partnerships:
280–287 Owner’s or Partners’ Capital Accounts
290–297 Owner’s or Partners’ Withdrawal Accounts
299 Income Summary

For Corporations:
280–285 Capital Stock
286 Paid-in Capital
289 Retained Earnings
290 Treasury Stock
291 Unrealized Gain (Loss) on Marketable Equity Securities
292 Cumulative Foreign Currency Translation Adjustments
299 Income Summary

REVENUE

300 Rooms Revenue
301 Transient—Regular
<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>302</td>
<td>Transient—Corporate</td>
</tr>
<tr>
<td>303</td>
<td>Transient—Package</td>
</tr>
<tr>
<td>304</td>
<td>Transient—Preferred Customer</td>
</tr>
<tr>
<td>309</td>
<td>Day Use</td>
</tr>
<tr>
<td>311</td>
<td>Group—Convention</td>
</tr>
<tr>
<td>312</td>
<td>Group—Tour</td>
</tr>
<tr>
<td>317</td>
<td>Permanent</td>
</tr>
<tr>
<td>318</td>
<td>Meeting Room Rental</td>
</tr>
<tr>
<td>319</td>
<td>Other Room Revenue</td>
</tr>
<tr>
<td>320</td>
<td>Food Revenue</td>
</tr>
<tr>
<td>321</td>
<td>Food Sales</td>
</tr>
<tr>
<td>322</td>
<td>Banquet Food</td>
</tr>
<tr>
<td>326</td>
<td>Service Charges</td>
</tr>
<tr>
<td>328</td>
<td>Meeting Room Rental</td>
</tr>
<tr>
<td>329</td>
<td>Other Food Revenue</td>
</tr>
<tr>
<td>330</td>
<td>Beverage Revenue</td>
</tr>
<tr>
<td>331</td>
<td>Liquor Sales</td>
</tr>
<tr>
<td>332</td>
<td>Wine Sales</td>
</tr>
<tr>
<td>335</td>
<td>Cover Charges</td>
</tr>
<tr>
<td>336</td>
<td>Service Charges</td>
</tr>
<tr>
<td>339</td>
<td>Other Beverage Revenue</td>
</tr>
<tr>
<td>340</td>
<td>Telephone Revenue</td>
</tr>
<tr>
<td>341</td>
<td>Local Call Revenue</td>
</tr>
<tr>
<td>342</td>
<td>Long-Distance Call Revenue</td>
</tr>
<tr>
<td>343</td>
<td>Service Charges</td>
</tr>
<tr>
<td>345</td>
<td>Commissions</td>
</tr>
<tr>
<td>346</td>
<td>Pay Station Revenue</td>
</tr>
<tr>
<td>349</td>
<td>Other Telephone Revenue</td>
</tr>
<tr>
<td>350</td>
<td>Gift Shop Revenue</td>
</tr>
<tr>
<td>360</td>
<td>Garage and Parking Revenue</td>
</tr>
<tr>
<td>361</td>
<td>Parking and Storage</td>
</tr>
<tr>
<td>362</td>
<td>Merchandise Sales</td>
</tr>
<tr>
<td>369</td>
<td>Other Garage and Parking Revenue</td>
</tr>
<tr>
<td>370</td>
<td>Space Rentals</td>
</tr>
<tr>
<td>371</td>
<td>Clubs</td>
</tr>
<tr>
<td>372</td>
<td>Offices</td>
</tr>
<tr>
<td>373</td>
<td>Stores</td>
</tr>
<tr>
<td>379</td>
<td>Other Rental Income</td>
</tr>
<tr>
<td>380</td>
<td>Other Income</td>
</tr>
<tr>
<td>381</td>
<td>Concessions</td>
</tr>
<tr>
<td>382</td>
<td>Laundry/Valet Commissions</td>
</tr>
<tr>
<td>383</td>
<td>Games and Vending Machines</td>
</tr>
<tr>
<td>384</td>
<td>In-house Movies</td>
</tr>
<tr>
<td>385</td>
<td>Cash Discounts</td>
</tr>
<tr>
<td>386</td>
<td>Interest Income</td>
</tr>
<tr>
<td>387</td>
<td>Foreign Currency Exchange Gains</td>
</tr>
</tbody>
</table>
388 Salvage
389 Other

390 Allowances
391 Rooms Allowance
392 Food Allowance
393 Beverage Allowance
394 Telephone Allowance
395 Gift Shop Allowance
396 Garage and Parking Allowance
399 Other Allowance

**COST OF SALES**

420 Cost of Food Sales
421 Food Purchases
427 Trade Discounts
428 Transportation Charges
429 Other Cost of Food Sales

430 Cost of Beverage Sales
431 Liquor Purchases
432 Wine Purchases
433 Beer Purchases
434 Other Beverage Purchases
437 Trade Discounts
438 Transportation Charges
439 Other Cost of Beverage Sales

440 Cost of Telephone Calls
441 Local Calls
442 Long-Distance Calls

450 Cost of Gift Shop Sales
451 Gift Shop Purchases
457 Trade Discounts
458 Transportation Charges

460 Cost of Garage and Parking Sales
461 Garage and Parking Purchases
467 Trade Discounts
468 Transportation Charges

490 Cost of Employee Meals
492 Bottle Deposit Refunds
495 Grease and Bone Sales Revenue
496 Empty Bottle/Barrel Sales Revenue

**PAYROLL**

510 Salaries and Wages
511-519 Departmental Management and Supervisory Staff
521-539 Departmental Line Employees
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550 Payroll Taxes
   551 Payroll Taxes—FICA
   552 Payroll Taxes—FUTA
   553 Payroll Taxes—SUTA
   558 Workers’ Compensation

560 Employee Benefits
   564 Medical Insurance
   565 Life Insurance
   566 Dental Insurance
   567 Disability
   568 Pension and Profit Sharing Contributions
   569 Employee Meals

599 Payroll Tax and Benefit Allocation

OTHER EXPENSES

600 Operating Supplies
   601 Cleaning Supplies
   602 Guest Supplies
   603 Paper Supplies
   604 Postage and Telegrams
   605 Printing and Stationery
   606 Menus
   607 Utensils

610 Linen, China, Glassware, etc.
   611 China
   612 Glassware
   613 Silver
   614 Linen

618 Uniforms

621 Contract Cleaning Expenses

623 Laundry and Dry Cleaning Expenses

624 Laundry Supplies

625 Licenses

627 Kitchen Fuel

628 Music and Entertainment Expenses

629 Reservations Expenses

630 Information Systems Expenses
   631 Hardware Maintenance
   632 Software Maintenance
   635 Service Bureau Fees
   639 Other Information Systems Expenses

640 Human Resources Expenses
   641 Dues and Subscriptions
   642 Employee Housing
   643 Employee Relations
644 Medical Expenses
645 Recruitment
646 Relocation
647 Training
648 Transportation
650 Administrative Expenses
651 Credit Card Commissions
652 Donations
653 Insurance—General
654 Credit and Collections Expenses
655 Professional Fees
656 Losses and Damages
657 Provision for Doubtful Accounts
658 Cash Over/Short
659 Travel and Entertainment
660 Marketing Expenses
661 Commissions
662 Direct Mail Expenses
663 In-house Graphics
664 Outdoor Advertising
665 Point-of-Sale Materials
666 Print Materials
667 Radio and Television Expenses
668 Selling Aids
669 Franchise Fees
670 Property Operation Expenses
671 Building Supplies
672 Electrical and Mechanical Equipment
673 Elevators
674 Engineering Supplies
675 Furniture, Fixtures, Equipment, and Decor
676 Grounds and Landscaping
677 Painting and Decorating
678 Removal of Waste Matter
679 Swimming Pool Expenses
680 Utility Costs
681 Electrical Cost
682 Fuel Cost
686 Steam Cost
687 Water Cost
689 Other Utility Costs
690 Guest Transportation
691 Fuel and Oil
693 Insurance
695 Repairs and Maintenance
699 Other Expenses
FIXED CHARGES

700 Management Fees
710 Rent or Lease Expenses
   711 Land
   712 Buildings
   713 Equipment
   714 Telecommunications Equipment
   715 Information Systems Equipment
   716 Software (includes any license fees)
   717 Vehicles
720 Tax Expense
   721 Real Estate Taxes
   722 Personal Property Taxes
   723 Utility Taxes
   724 Business and Occupation Taxes
730 Building and Content Insurance
740 Interest Expense
   741 Mortgage Interest
   742 Notes Payable Interest
   743 Interest on Capital Leases
   744 Amortization of Deferred Financing Costs
750 Depreciation and Amortization
   751 Building and Improvements
   752 Leaseholds and Leasehold Improvements
   753 Furniture and Fixtures
   754 Machinery and Equipment
   755 Information Systems Equipment
   756 Automobiles and Trucks
   757 Capital Leases
   758 Preopening Expenses
770 Gain or Loss on Sale of Property
790 Income Taxes
   791 Current Federal Income Tax
   792 Deferred Federal Income Tax
   795 Current State Income Tax
   796 Deferred State Income Tax