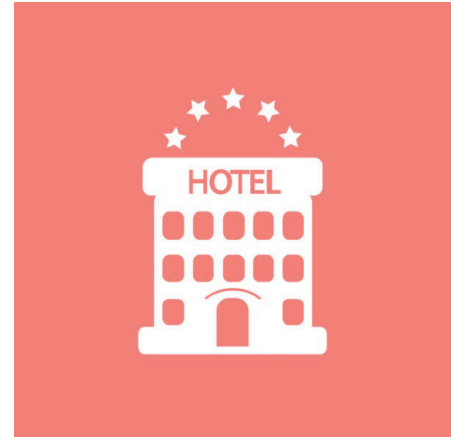


Hotel Accounting Software

THE HOSPITALITY INDUSTRY relies on several accounting tools for restaurants, accommodations, clubs, and spa services. The hotel industry's cost centers include the front office, housekeeping, guest registration and services, security, rent or lease costs, utilities, and insurance. The profit centers include concierge services, communication, food and beverage sales, housekeeping laundry, gift shops, recreational facilities, amusements, childcare, and spa services. This lesson details the process of tracking guest charges with accounting software packages.



Objective:



Summarize hotel accounting software packages, including specialized inventory management and property management.

Key Terms:



central reservation system (CRS)	incentive rate	room rate categories
corporate or commercial rate	inventory management	seasonal cycle
cost centers	point-of-sale (POS) system	third-party booking
daily cycle	profit centers	uniform system of accounts
group rate	promotional rate	weekly cycle
hospitality industry	property management system (PMS)	
hospitality management accounting	rack rate	
	room feature	

Hotel Accounting Software: Standards, Inventory, and Property Management

The **hospitality industry** is a very broad subset of the service industry that includes two general sectors (food and accommodation services and arts, entertainment, and recreational

activities). Because this industry focuses on customer satisfaction and leisure, these businesses are often providers of luxurious or specialty services bought with disposable income. When you are a part of the hospitality industry, it is common to see cost centers associated with the various services provided by that business. The profit and loss (P&L) statements for these businesses are organized by cost and profit centers to monitor the cash inflow and outflow from various aspects of the operation.

Within the hospitality are the hotel, travel and tourism, restaurant, and club industries. For now, your focus will be hotel management accounting.

HOTEL ACCOUNTING TERMS, PRACTICES, AND RATES

Hotel and Hospitality Standards

Hospitality management accounting is a collection of specialized systems, tax codes, and internal reporting for operations within the industry. Accountants in the hospitality industry follow the same rules as accountants in any other field; however, many hospitality companies require that management use specialized accounting procedures created by the associations related to specific industries. For hotel management accounting, there are systems, cycles, and centers of finance that must be included.



FIGURE 1. Hospitality management accounting is a specialized area that focuses on those accounting techniques and practices used in restaurants, hotels, clubs, and other hospitality businesses. Here, the front desk clerk begins the task of tracking a guest's charges using a specialized hotel software package.

USALI

The **uniform system of accounts** is the agreed upon methods of recording financial transactions within a specific industry segment. The American Hotel & Lodging Association (AHLA) and the Hotel Association of New York City (HANYC) [with funding from the Hospitality Financial and Technology Professionals (HFTP)] publish the *Uniform System of Accounts for the Lodging Industry* (USALI). First published in 1926, this is the most used accounting reference guide for the hotel industry. It is now on its eleventh revised edition.

Operating Cycles

Hospitality business operates on sales revenue cycles.

- ◆ The **daily cycle** is a breakdown of sales revenue for specific times of the day.
 - For a restaurant, this would be breakfast, lunch, and dinner.
 - For a hotel, most check-ins/check-outs, gift shop purchases, and other expenditures happen late in the morning or early in the evening.
- ◆ The **weekly cycle** is a breakdown of sales revenue for specific times of the week.
 - Business travelers typically use hospitality services (hotels, restaurants, and airlines) during the week.
 - Local community members are more likely to frequent restaurants and hotels on weekends.
- ◆ The **seasonal cycle** is a breakdown of sales revenue for specific times of the year.
 - This tool is used by businesses that have peak vacation periods due to location and climate.
 - Hotels use this to plan for weddings and annual conferences that occur during certain months of the year.
 - The hospitality industry would use this to plan for holiday activities. While most businesses are closed for holidays, the hospitality industry is at its busiest.

Cost Centers

Cost centers are areas within a business that do not create a profit, but are necessary expenditures for operation. Due to the different operational cycles, revenue can vary at any given time. This requires management to make numerous daily, weekly, and seasonal decisions based on accurate financial account reporting. Because this is a disposable-income industry, hospitality is often the first to be impacted by any economic downturn. During slower sales periods, you can monitor the performance of cost and profit centers. This is a common way to gain the information needed to make decisions regarding staffing, maintenance, and renovations. Hotel cost centers include:

- ◆ Front office
- ◆ Guest registration and services
- ◆ Security
- ◆ Housekeeping
- ◆ Property management
- ◆ Pool maintenance
- ◆ Utilities and mortgage/rental fees
- ◆ Payroll

Profit Centers

Profit centers are stand-alone services within the business that generate profits. They can support or cover cost-center expenses if kept profitable. Common profit centers in hotels include:

- ◆ Gift shops
- ◆ Restaurant and bar sales
- ◆ Concierge services
- ◆ Laundry services
- ◆ Spa services
- ◆ Event planning
- ◆ Amusements (golf, arcade, etc.)
- ◆ Child care services



FIGURE 2. The hotel industry is unique in the number of cost and profit centers that are housed within one site. Cost centers include the front office, housekeeping, guest registration and services, security, rent or lease costs, utilities, and insurance. Profit centers include reservations, concierge services, communication, food and beverage sales, laundry services, the gift shop, recreational facilities, amusements, childcare services, and spa services.

Room Rates

Room rate categories are the divisions of room sizes and features that affect the price. Per-room costs generally correspond to room size (standard, deluxe, or a suite), number of guests, holidays or special events, and market standards. Room rates and rate codes may also vary according to available room features. A **room feature** is an attribute or aspect of a room that includes size, location, and/or view. For example, a room facing the ocean is more expensive than a room with a street view. Hotel revenue computations can be complicated, because there is typically more than one rate code category for each room type. The following discounted and regular rate codes are standard throughout the industry.

Rack Rate

The **rack rate** is the standard per-room charge defined by hotel management for a particular room category (standard, deluxe, suite). Some cities or states require this rate to be posted on the back of each hotel door to prevent price gouging.

Corporate Rate

A **corporate or commercial rate** is the special per-room charge for companies that frequently use the hotel to house their employees. This rate will vary based on business volume or a guaranteed number of company occupants. These are usually negotiated on a case-by-case basis.

Group Rate

A **group rate** is the special per-room charge for groups, wedding parties, meetings, and conventions that are using the hotel facilities. Typically, the hotel negotiates a contract with the group to “block” a specific number of rooms available for this group rate. A standard practice requires the group to guarantee a specific number of nights to secure the reduced rate.

Promotional Rate

A **promotional rate** is a per-room fee offered to guests during low occupancy periods to encourage bookings.

Incentive Rate

An **incentive rate** is a special per-room charge offered to associations, credit-card businesses, or other club members. For example, AARP or Visa cardholders may receive incentive rates based on membership or account activity.

Metrics

Standard industry metrics, such as Occupancy Percentage, Revenue per Available Room (RevPAR), and Revenue per Cover, allow management to compare performance intervals, industry standards, and regional market rates. These comparisons can result in the need to change room rates to match the data.

Hotel Transactions

A **point-of-sale (POS) system** is a computerized cash register system that accepts credit and debit payments from customers. Newer POS systems also track inventory; text or email receipts; and analyze customer and sales data. Hotels use specific reservation and property management systems that aid in the management of room fees and special taxes.

CRS

A **central reservation system (CRS)** is a program (or system of programs) used to manage hotel information, track room inventory, monitor room rates, and conduct service transactions. Specialized recreational facilities, such as those for a resort setting (golf, spa, tennis, etc.), require software that interprets and bills the guest or travel agency for provided services. Some reservation systems allow customers to make bookings online, while others use in-house reservation software. This software provides accounting reports that help management answer two daily questions.

- ◆ What is the maximum customer capacity and current occupancy of the facility?
- ◆ What is the correct number of employees needed for each shift?



FURTHER EXPLORATION...

ONLINE CONNECTION: Hospitality Careers

Career opportunities in the hospitality industry go far beyond accounting. Explore other hospitality careers. Read an article by Thomas Phelps on The Balance website at <https://www.thebalance.com/a-sales-career-in-the-hospitality-industry-2918243>. Use The Balance website to explore other hospitality-related careers.



Hotel industry careers include accounting, concierge services, security, management, and foodservice occupations.

Room Charges

Guest room charges (room service, movie rentals, or minibar purchases) require accurate accounting records. This would typically be a part of the CRS, but may involve specialized accounting software.

Taxes

Hotels often collect additional taxes from hotel guests assessed by the state or city in which they operate. This specialized tax code is a feature of most hotel accounting software.

Third-Party Booking

Mobile payment apps are becoming more and more popular for hotel guest reservations. Some third-party booking websites require hotels to track reservations and collect payment at a later date; however, most sites pay the hotel immediately through a preset credit account.

Third-party booking occurs when an agency schedules reservations on behalf of hotels, and they usually collect the fees directly from the customer. These days, most bookings are made through websites. There many popular third-party booking websites that you are probably familiar with, including Hotels.com, Booking.com, Expedia, trivago, and Priceline.

INVENTORY AND PROPERTY MANAGEMENT ACCOUNTING SOFTWARE

Inventory Management

Inventory management is the tracking of room components, foodstuff, beverages, and other items in the hotel. Several tracking operations of inventory happen simultaneously, including sales through POS terminals, room service, and other items charged to the room (spa, restaurant, or other amenities). Inaccurately accounting for these items would result in revenue leakage, waste, and theft. Inventory management systems monitor supply and demand, planned expenses, and profit gains or losses. The type of inventory software you need depends on many factors, including guest volume, property size, number of properties managed, and the preferred format (web- or network-based programs). Inventory management software may also provide you with information on vendors, order management, and efficiency measures.

Vendor Performance

With these programs, hotel managers can track the time and accuracy of deliveries. They can also track vendor cost increases.

Order Management

Automated order amounts, projected sales, and historical usage of an item are all features that help prevent overstocking and overspending.

Increased Efficiency

Inventory management software can maintain a database of all buying, selling, and consumption areas to pinpoint inefficiencies or potential fraud. (For example, a vodka bottle provides about 17 regular-sized vodka drinks. If there were only five vodka drinks reported from the time of the bottle purchase through the time of its replacement, then overpouring or theft has occurred.)

Property Management

A **property management system (PMS)** is a comprehensive software package that manages the day-to-day requirements of running hotel properties. It was traditionally used to coordinate front office operations. Currently, a PMS integrates a CRS, third-party bookings, cost and profit center accounting, building maintenance, and account reporting. They can be on-premises or cloud-based systems. According to the Oracle website (<https://www.oracle.com/industries/hospitality/what-is-hotel-pms.html>), PMS has grown to incorporate:

- ◆ Food and beverage centers

- ◆ Housekeeping and maintenance management
- ◆ Sales and catering (especially group and event management functions)
- ◆ Revenue management
- ◆ Distribution across multiple channels (third-party booking, chain reservation systems, and the hotel website)
- ◆ Spa management

Summary:



The hospitality industry is a very broad subset of the service industry that includes two sectors (food and accommodation services and arts, entertainment, and recreational activities). Because this industry focuses on customer satisfaction and leisure, these businesses often provide luxurious or specialty services bought with disposable income.

Hospitality management accounting is a collection of specialized systems, tax codes, and internal reporting for operations within the industry. Accountants in the hospitality industry follow the same rules as accountants in any other field; however, many hospitality companies require that management use specialized accounting procedures created by the associations related to specific industries. For hotel management accounting, there are systems, cycles, and centers of finance that must be included.

Cost and profit centers are monitored to help manage hotel decision making. There are many calculations that create a room rate. Room categories and features are part of these calculations. Hotel revenue computations can be complicated, because there is typically more than one rate code category for each room type. Many different codes and discount policies create a fluctuating rate, including third-party booking rates. Third-party booking occurs when an agency schedules reservations on behalf of hotels, and they usually collect the fees directly from the customer. Nowadays, most of these bookings are done online.

Many hotels choose software packages that include inventory and property management capabilities. Inventory management software allows managers to automate the process of tracking room components, foodstuff, beverages, and other items in the hotel. A property management system (PMS) is a comprehensive software package that manages the day-to-day requirements of running hotel properties.

Checking Your Knowledge:



1. Describe hospitality management accounting and its tasks.
2. List four discount or general room rate codes found at most hotels.
3. Describe three room features that impact the room rate.

4. How is inventory management software used in hotels?
5. How is a PMS used in hotels?

Expanding Your Knowledge:



With your instructor's permission, interview someone who works in the hotel industry, preferably within a financial department. Ask about the type of software used to track finances for the business. Discuss the business's cost and profit centers. How does the software help track those services? Ask about recent changes they have seen in the industry, and see how they project future trends in hotel accounting software.

Web Links:



Leisure and Hospitality at a Glance

<https://www.bls.gov/iag/tgs/iag70.htm>

Technology Trends in the Hospitality Industry

<http://www.aurecongroup.com/en/thinking/insights/aurecons-successful-hotels/technology-in-the-hospitality-industry-exploring-the-very-latest-trends.aspx>

Turnaround Guy: Jon Taffer

<http://www.thebeveragejournal.com/turnaround-guy-getting-real-with-jon-taffer/>