

NEW HOSPITALITY MANAGEMENT ACCOUNTING



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Hospitality managers make important decisions every day that impact their business. **Hospitality Management Accounting** exposes students to management accounting concepts and practices used by managers within the hospitality industry for decision-making and control purposes.

- Fundamental concepts and analytical techniques equip students to evaluate current and past operations and to effectively manage finances toward increased profits.
- Students are introduced to the uniform systems of accounts for hospitality, particularly the summary operating statement under the Uniform System of Accounts for the Lodging Industry (USALI).
- Students will learn practical decision-making skills vital for success as future managers in the increasingly complex and competitive hospitality industry in the United States and abroad.

- Access to **AME Engage™**, our online learning platform featuring highly visual and interactive tutorials, eTextbook and eWorkbook, quizzes, post-class homework, PowerPoint slides, and accounting templates.
- The **AME Assistant Team** is always available to help instructors with course set-up and exam and test development. AME's in-house accounting subject matter experts work directly with individual instructors to customize the teaching and learning experience to their specific needs.



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Hospitality Management Accounting

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MANAGEMENT ACCOUNTING FOR HOSPITALITY STUDENTS

As the hospitality field continues to expand and transform itself, today's hospitality professionals need a strong understanding of accounting more than ever before.

Hospitality Management Accounting

- is based on AME's validated content for management accounting
- applies the concepts to the hospitality industry rather than manufacturing or merchandising companies
- focuses on hospitality businesses, ranging from small, sole-proprietor cafés to multi-location resorts run as large corporations

TABLE OF CONTENTS:

Chapter 1: *Financial Statements in Management Accounting* explains the importance of management accounting and how it differs from financial accounting. It provides a refresher on income statements and balance sheets from a management perspective. An extended section on uniform systems of accounts introduces both the Uniform System of Accounts for the Lodging Industry (USALI) and the Uniform System of Accounts for Restaurants (USAR) then looks in more detail at how the USALI summary operating statement serves management needs.

Chapter 2: *The Statement of Cash Flows* demonstrates how to prepare a statement of cash flows using a restaurant as an example. The content focuses on cash flow from operations and analyzes the impact of various business activities in a hospitality environment. The chapter ends with a discussion of ethical issues related to cash flow.

Chapter 3: *Financial Statement Analysis* demonstrates horizontal and vertical analysis as well as financial ratio analysis using the real company MGM Resorts. Specific hospitality ratios are then presented for both restaurants and hotels, including food cost percentage, labor cost percentage, revenue per available seat hour (RevPASH), average daily rate (ADR) and sales revenue per available room (RevPAR).

Chapter 4: *Introduction to Costs* turns fully to management accounting principles. It explains the concept of cost objects and different types of costs, with specific attention paid to typical costs for restaurants, hotels and travel agencies. The allocation of indirect costs is presented, using the example of a hotel allocating costs based on either sales or room size.

Chapter 5: *Cost-Volume-Profit Analysis* illustrates how variable and fixed costs can impact a business's bottom line. It explains the concept of contribution margin and covers cost-volume-profit analysis, primarily using the example of a restaurant. It then demonstrates how CVP analysis can be used for decision-making. Practical examples cover concepts such as operating leverage, margin of safety and sensitivity analysis.

Chapter 6: *Pricing Methods* discusses important considerations in pricing. The chapter opens with a discussion of competitive pricing then demonstrates how to calculate selling prices using a variety of methods. The content focuses on analyzing the relationship between price and revenue, looking at both menu pricing and hotel room rates.

Chapter 7: *Forecasting and Budgeting* opens with a brief introduction to forecasting. It then outlines various approaches to budgeting and walks through the budgeting process using the example of a hotel with a restaurant as part of its operation. Revenues and costs are estimated by department to provide a practical exercise for hospitality businesses. The chapter demonstrates how to prepare a sales budget, a purchases budget, an operating expenses budget, a budgeted income statement, a capital budget, a cash budget and a budgeted balance sheet. The chapter proper ends with a discussion of ethical issues related to budgeting. An appendix looks in more detail at forecasting calculations and considerations for both a restaurant and a hotel.

Chapter 8: *Flexible Budgeting and Variance Analysis* explains the importance of variance analysis. It continues with the same hotel and restaurant example to demonstrate static and flexible budgets and variances. It illustrates how to use variance information for business decision-making in the hospitality industry. The chapter ends with a discussion of ethical issues related to variance.

Chapter 9: *Capital Budgeting* introduces terminology related to capital budgeting. It shows how to evaluate investments using different capital budgeting techniques. The concepts are demonstrated with two business cases for the hospitality industry.

Chapter 10: *Relevant Costs and Business Strategies* distinguishes relevant costs and irrelevant costs for business decision-making. The chapter illustrates practical scenarios such as whether to keep or drop a service, whether to outsource, whether to accept or reject a special order, and whether to retain or replace an asset. The chapter concludes the entire text by discussing business strategies for users who are considering opening their own business.

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