

## Case Briefing

# Hospitality Accounting



## The Situation

The Gold Standard hotel has financial problems. Profits aren't what management expected and the old Chief Financial Officer (CFO) quit suddenly. The owners are panicking that things are out of control.

## Your Role

You have been promoted to the role of interim CFO and asked to do a benchmark analysis comparing the spending at the hotel to industry averages. Your goal is to get the hotel back on track and make a specific profit goal.

## Learning Phase

Step-by-step instructions will introduce you to the conventions of hotel accounting. This will include an explanation of the Uniform System of Accounts for the Lodging Industry (USALI) and how to read these to understand the health of a hotel. You'll then also look at a sample industry benchmarking report. Using that report, you'll identify a major expense problem in your "practice hotel." Finally, you'll take action to correct the expense problem and check for any negative impacts on guest satisfaction.

## Challenge Phase

As interim CFO of the Gold Star, you've been asked to do a rigorous benchmark analysis of spending at the hotel. You will need to find some expenses that are out of line and take corrective action. By making smart financial choices, you will attempt to meet a profit goal.

At the option of your Professor, you may be able to retry the Challenge Phase multiple times. Only your best grade will count.

## Accounting in the Simulation

The simulation model tracks detailed revenue and expenses as you make decisions and run time forward at your hotel. This financial data is automatically organized into accounts corresponding to the Uniform System of Accounts for the Lodging Industry (USALI). Additionally, supplemental operating reports are provided that are based on real reports used by top hospitality corporations. Data is tracked and can be viewed on a daily, monthly, or annual basis.

## Discussion Questions

Describe the Uniform System of Accounts for the Lodging Industry (USALI) and its purpose?

What are the benefits and limitations of benchmarking?

Which is a better benchmark for comparing the housekeeping cleaning supplies costs - the industry averages, or the competitor's averages or the budgeted averages?

Is it more important to please the guest or beat the budget targets for costs?