SUBJECT: ACCOUNTING FOR HOTELS

SUMMARY

Chapter Three

ACCOUNTING DEPARTMENT ORGANIZATION AND OPERATIONS

CHAPTER HIGHLIGHTS:

1. Organization Structure of Hotel Accounting Departments and its Operations
2. Organization's Middle Management structure of Hotel Accounting and its Operations i.e. from the General Manager up to Line Managers (Top Management Structure from owners or shareholders up to the General Manager level is discussed in Chapter-10.)
3. Organization structure and accounting of Restaurant and its operations.
4. Working co-ordination of Hospitality Managers with Accounting Departments in preparation of financial statements and accounting matters
5. Accounting work structures for large & small hotels and Chain restaurants

LARGE HOTELS:

The wide Range of Hotels are having Wide range of Activities like Sleeping rooms, Food & Beverage outlets, Catering functions, Meeting Room Rentals, Recreation Facilities, Gyms, Gift Shops, Valet Laundry, Health Workout facilities, bellmen etc. These large hotels include Corporate Hotels, Airport Hotels, Suburban Hotels, Convention

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Hotels & Resorts, Chain of hotels, National or Inter-national etc

The Separate and full-fledged Accounting Department(s) is / are provided to large hotels.

OTHER THAN LARGE HOTELS:

a. No wide range of amenities & services exist in such hotels.
b. Accounting activity is taken care of by involving Manager him-self in this activity.
c. Corporate Centralized accounting work is carried out in Chain of Hotels through co-ordination with branch restaurants.
d. Each Restaurant is required to provide Daily Operating Information to Corporate Accounting Office for its further necessary action.

ORGANIZATION CHART

(Note: The Hotel Management's 'Middle management structure' starting from the General Manager up to the level of Line Managers is depicted below. Hotel Management's 'Organization Chart of Top Management' starting from the Shareholders or Owners of hotel, up to the General Manager's level is discussed in Chapter-10.)

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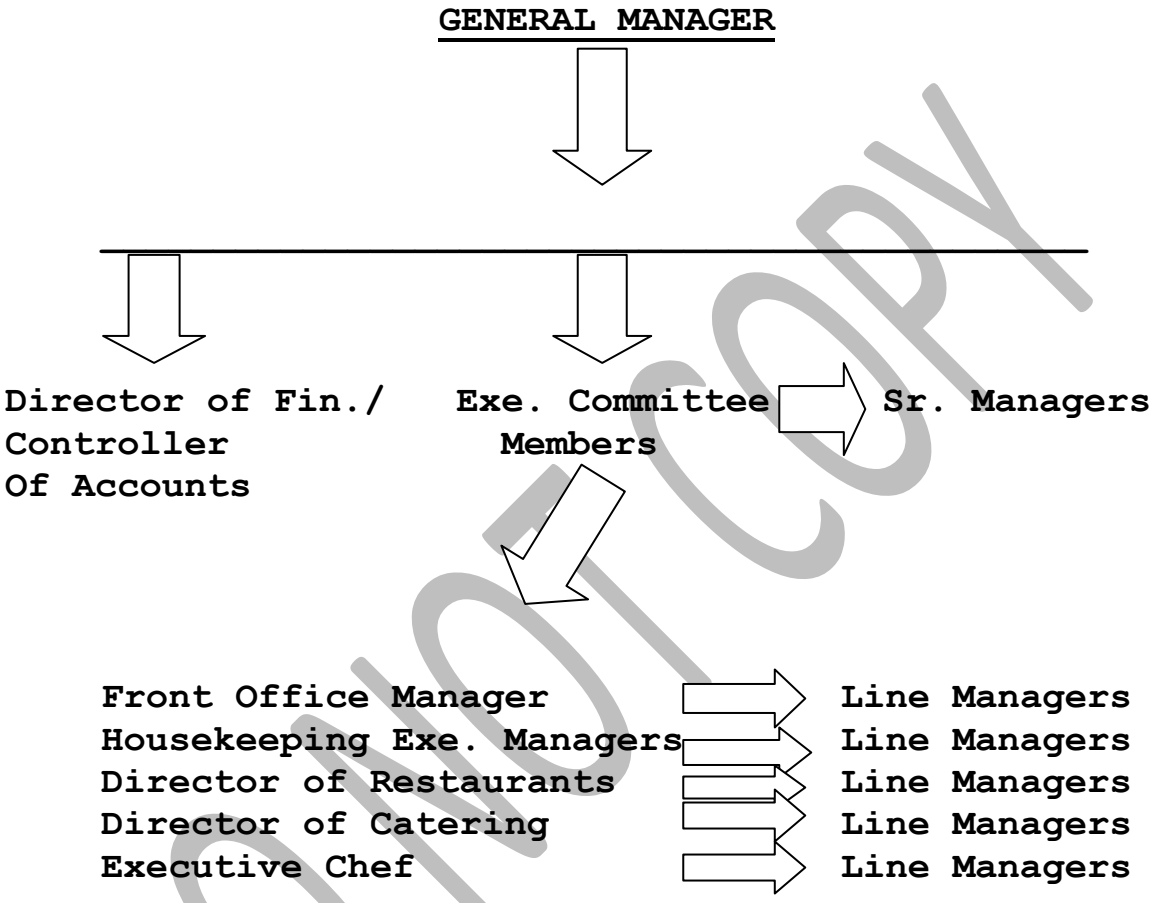
ORGANIZATION CHART OF MIDDLE MANAGEMENT:



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GENERAL MANAGER:

a. He holds a Top level of Authority & Responsibility for various activities & operations of Hotel. Director of Finance or Controller of accounts and Executive Committee Members directly report to him.
b. He mainly relies on specific Senior Managers of each operating departments, however DoF and Executive Committee members are responsible for the works of Senior Managers in accounting and operative activities respectively.

c. **Senior Managers report to Executive Committee Members and General Manager and they directly interact with the customers.**
d. **The Operating departments like Rooms Deptt, Food & Beverage Deptt etc are called the Profit Centers; revenue directly comes from these departments.**
e. **Service Deptts like Sales & Marketing, HR, Engineering, Accounting, Repairs & Maintenance, R & D, Security etc are the Service Centers earning no revenue or profit directly.**

EXECUTIVE TEAM OR LEADERSHIP TEAM:

a. **Consist a Group of Senior Managers on Executive Committee.**
b. **They are directly responsibility for overall operations of their departments.**
c. **They are directly reporting to the General Manager.**
d. **They are having generally more than 10 years experience.**
e. **General Manager fully relies on them for detailed aspects of operation in the department under each Sr. Manager.**

DEPARTMENTAL HEADS:

a. **Direct Responsibility for operations of one specific department.**
b. **Directly reporting to Executive Committee Member.**
c. **Generally having more than 5 years work experience.**
d. **They are taking care of daily operations of their departments through departmental heads like Front Office Manager, Executive Housekeeper, Director of Restaurants, Director of Catering, Executive Chef etc.**

LINE MANAGERS:

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a. **Line Managers actually run the departments.**
b. **They are having direct interaction with EMPLOYEES and CUSTOMERS.**
c. **They are supervising on employees & necessary directions from time to time are given by them for smooth functioning of hotel.**
d. **They are the Entry level Managers in First Mgt Position of their career.**
e. **Their responsibilities include providing accounting information on wage, payroll, purchasing, physical inventory, P & L statement data, revenue forecasting in addition to their day today operational functions.**
f. **They are named as Asstt Front Desk Mgrs, Asstt Housekeeping Mgrs, Asstt Restaurant Mgrs, Asstt Catering Mgrs, Kitchen Mgrs etc.**

Director Of Finance OR CONTROLLER OF ACCOUNTS:

a. **He is an Executive Committee Member for all Accounting Operations of hotel.**
b. **He is responsible for ensuring correctness, accuracy and statutory compliances like following GAPP, IFRS, Co. Act, 2013 etc.**
c. **His Responsibilities include:**
   - **Preparation of periodical 3 Financial Statements.**
   - **Supervising all accounting functions.**
   - **Preparation of Annual Operating & Capital Budget.**
   - **Analyzing periodical Fin. Statements, Periodical Revenue & wage Forecasts.**
   - **Financial Advisor to all hotel managers & their operations**
   - **Co-ordinator for all Accounting activities with others deptts.**
   - **preparation of all Financial statements & presentation to Hotel Management / Owners.**
   - **Ensuring statutory compliances in respect of accounting, taxes, submission of returns, payment of relevant fees, charges etc.**

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ASST CONTROLLER OF INCOME ACCOUNTING & OPERATIONS:

a. He is the Deptt Head for all Accounting Operations.
b. His Responsibilities include:

   i. Assisting DoF in all accounting activities
   ii. Periodical closing, preparation of Fin. Statements & related activities, co-ordinating & assisting other deptts on accounting matters.
   iii. Hotel audits.
   iv. Supervising accounting employees on:
      - Income Journal
      - General Cashier
      - Accounts payable
      - Payroll etc

ASST CONTROLLER OF RECEIVABLES:

a. He is responsible for Billing & Collection of all Revenues and Receivables.
b. Other Responsibilities include:
   i. Assisting DoF in reconciliation of Cash a/cs, Credit statements & ensuring sufficient cash flow.
   ii. Review aging analysis of debtors, Recovery efforts, Bad Debts w/off, Coordinating Collection Agencies.
   iii. Coordinating Group billings, collection.
   iv. Supervising employees in Receivable activities e.g.
      - Pre & post meetings with concerned, Recovery Follow-up
      - Credit card collection activities
      - Credit Manager activities

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NIGHT AUDITOR:

a. He is responsible for processing & auditing of all Daily accounting & operational information in addition to his front desk night shift.
b. Other Responsibilities include:
   - Recording & balancing each day transactions.
   - Rolling the date after closing accounting & audits.
   - Preparing Daily Management Reports.
   - Supervising employees in Audit Activities of all the departments in hotel.

ACCOUNTING IN SMALLER HOTELS (FEWER THAN 100ROOMS):

a. Such hotels do not generate the volume & range of Revenues and Expenses considering its volume.
b. There is no need of Full-fledged and an on-property accounting office.
c. Outsourcing Accounting activities
d. They are hiring outside accounting services for individual or group of accounting activities like Accounts writing, Fin. Statements, VAT, TDS etc.

ACCOUNTING OPERATIONS IN LARGE HOTELS:

a. Accounting Dept Operations: Recording and processing daily Accounting Information
b. Income Journal: Room Revenues as per Market segments at micro levels & collections
c. General Cashier : Collect, Balance & Consolidate amounts – Depositing in Banks – Credit Card transactions – Change Bank
d. Accounts Payable: Making authorized paytts on due date
e. Accounts Receivable: Credit Card & Direct billing transactions monitoring for recovery
f. Night Audit : Receiving, reconciling, balancing and auditing daily transactions
g. Preparing Monthly or Periodical Reports: Pre-closing, Month End & Post-closing information &

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review - Three Financial Statements & other Management Reports.

ACCOUNTING OPERATIONS IN RESTAURANTS:

- No on-sight Accounting Office is required. They are Providing Daily Accounting information to Regional or Corporate Accounting Office.
- Corporate Accounting office prepares Monthly or periodical P & L and any other required reports. Annual Accounts preparation is also ensured by corporate accounting office.

Purchasing Functions & Inventories Maintenance in Large sized & Medium Hotels:

In large hotels, they are maintaining a full-fledged Centralized Purchase department and Inventory Department to take care of receipt, issue and stocks of inventory daily. They also ensure to maintain the levels of inventory for reordering. Issue of quotations or tenders is done by them for getting the competitive rates of the material. Stock records are maintained by this section. Perpetual inventory system, ABC analysis of materials, Purchasing economic order quantity size for minimizing carrying costs and to avoid blocking of funds etc and also ensure to utilize various costing techniques to minimize the costs.

In small size hotels, the works are handled by the Sr. Managers or the Committees of various Departmental heads handle these works.

In chain of hotels or restaurants, Weekly or periodical purchases are made through Centralized Purchase System and Inventory Control is ensured

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through Hotel Manager & various Software in this respect available in the market.

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