

THE “UNIFORM SYSTEM OF ACCOUNTS FOR THE LODGING INDUSTRIES

CASE STUDY: HOTEL BAÍA

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ABSTRACT

This work attempts to explain the uniform system of accounts for the lodging industry (USALI) as a tool used in management control. It aims to describe the model as well as the rendered information to support the decision making procedure. It also intends to assess whether USALI is being used in Portugal at corporate level, in which way, which are the similarities/differences once compared with the theoretical model, and which is the precise management information that corporate takes into consideration in its decision making procedures. To this end, the research method used was the case study done at hotel Baía. After the description of the model and the case study analysis, one comes to the conclusion that hotel Baía uses USALI as a source of information in its decision making procedures, but with some adaptations though, namely by using allocation bases and by adapting income statements to meet its needs, digressing this way from the theoretical model. As far as similarities are concerned, one to be found is the ratio analysis and the comparison between the yearly information and its variations, in value and percentage.

KEYWORDS

USALI, Case Study, Management Control, Lodging Industry.

1. OBJECTIVES

The Uniform System of Accounts for Lodging Industry (USALI) is a powerful tool in management control. This study seeks to explain what the USALI is. It aims to describe the model and see what aspects of information it gives to facilitate the decision making process. The research is supported by a case study focused on the implementation of the USALI in a hotel in Portugal. It describes the similarities and differences facing the theoretical model and what information the management uses from it.

2. METHODOLOGY

The study proposes to explore USALI used as a tool in management control of organizations focused on one of the most relevant economic sector for Portugal – tourism (Turismo de Portugal, 2006),

more particularly, hotel industry, which has a specific language and therefore very proper terminology. It seeks to answer questions like: “what it is”, “what is it for”, “what kind of information it gives”, “who uses the information” and “the regularity with which information is analysed”, among others.

We believe that the interpretive approach (Chua, 1986) is considered one of the best ways to represent the reality of the organization. One of the methods used in this approach is the case study method, which seems to be an appropriate way to achieve the objectives of the study, taking advantage of the link between research and reality of the organization. This connection is achieved through interviews between the researcher and the interviewee.

The study is divided by three main steps. First, we describe the theoretical model of USALI, according to the hotel association of New York City, Inc. (2006). Secondly, we describe the case and, finally, the results are presented.

3. MAIN RESULTS

USALI was developed in the United States of America in 1926 with the aim of creating an organized and uniform accounting system for the hotel sector, in order to compare accounting information between organizations (Hotel Association of New York City, Inc., 2006). It's a clear, simple and objective accounting system and more analytical which provides a more detailed information and analysis (Alves, 1998).

USALI is a set of economic information provided by the interpretation of consolidated operating results prepared based on departmentalization. USALI is a tool applied to the specifics of the hospitality sector, providing information by department. This is an intrinsic characteristic of the USALI (Hotel Association of New York City, Inc., 2006), having the hotel organized in departments and therefore obtaining the results of each one. Another characteristic is the way they treat indirect or overhead expenses, which are grouped in departments that do not generate income, only aggregates expenses – “undistributed operating expenses”. Therefore, USALI does not allocate indirect or overhead expenses to departments (p. 183). In fact, it was agreed that allocations should not be used because they are theoretical distributions and this could lead to unfair assessments of performance.

USALI proposes a classification by departments and by nature of revenue and expenses (Hotel Association of New York City, Inc., 2006) which provides specific information to each department and for each item of revenue and expenses, facilitating the monitoring of daily activity. On the other hand, it provides: (a) a comparative analysis between the current period and what was budgeted, (b) a comparative analysis between the values of the current period and previous period, (c) a percentage analysis of revenue and expenses.

Another equally important type of information that can be achieved with the implementation of a management control system that uses the principles of USALI is the ratio analysis and management indicators (e.g., average room rate; average food check; food cost percentage; labour cost percentage) and the production of statistics (Hotel Association of New York City, Inc., 2006).

Analysing the implemented USALI in “Baía” Hotel which is situated in Cascais Bay, one can see that there are some differences to the theoretical model. The Hotel has made adjustments in relation to some aspects, namely the allocation of indirect or overhead expenses to departments and the adaptation of the statement of income (e.g., treatment of financial expenses). Regarding to similarities,

management indicators and ratios are calculated, as well as the comparison with the values of the previous year.

4. CONCLUSIONS

After describing the model and analyzing the case study, it seems that the Hotel uses the USALI as a source of information in the decision-making process, however, with some adjustments such as: (a) the allocation of indirect or overhead expenses to departments; (b) adequacy of financial statements to the hotel reality, deviating from the theoretical model. One similarity is found in using ratio analysis and the comparison of information from year to year and variations in value and in percentage.

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