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## LONDON CAPITAL COMPUTER COLLEGE

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### Diploma in Hospitality Management (610) – Hospitality Managerial Accounting




<b>Prerequisites:</b> Basic Accounting knowledge.	<b>Corequisites:</b> A pass or higher in Certificate in Business Studies or equivalence.
<p><b>Aim:</b> Learn to understand and apply hospitality departmental accounting at the supervisory and managerial levels. This course includes information on budgeting expenses, forecasting sales, and financial decision making. Learners will learn about the responsibilities of a hotel’s accounting department, advantages and drawbacks of various types of statements and reports, the role of inventory in calculating profit, and more. The course includes everything learners will need to gain a clear understanding of managerial accounting in a hospitality setting, from application of practical accounting techniques relating to the hospitality industry with concentration in financial statements, internal control, payroll to cost accounting. The also has sections on revenue management and dynamic pricing, accounting for gift cards, unsecured bank loans, and profitability indexes. The emphasis is on concepts which managers need to know in order to be effective. The course also analyses the preparation and interpretation of financial statements, working capital, cost planning and control, break-even analysis, and capital budgeting.</p>	
<b>Required Materials:</b> Recommended Learning Resources.	<b>Supplementary Materials:</b> Lecture notes and tutor extra reading recommendations.
<b>Special Requirements:</b> The course requires a combination of lectures, demonstrations and classroom discussions.	
<p><b>Intended Learning Outcomes:</b></p> <p>1 Describe the hospitality industry accounting system.</p> <p>2 Analyse the processing of critically important tasks and recordings of servers, bartenders, kitchen staff, front desk and other hotel financial transactions.</p>	<p><b>Assessment Criteria:</b></p> <p>1.1 Explore the lodging and food services and related industries</p> <p>1.2 Outline the purpose of accounting in the hospitality industry</p> <p>1.3 Analyse the accounting transaction events, recording, communication process, internal and external users</p> <p>1.4 Demonstrate the differences between accounting and bookkeeping</p> <p>1.5 Illustrate monetary assumptions and economic entity</p> <p>1.6 Analyse financial accounting, financial transactions, cost accounting, tax accounting and auditing</p> <p>2.1 Analyse the duties of the hospitality manager in ensuring accurate and timely accounting methods have been achieved.</p> <p>2.2 Explore the accounting formula</p> <p>2.3 Demonstrate the balance sheet and income statement reports</p> <p>2.4 Explore double-entry accounting system</p> <p>2.5 Demonstrate how business financial transactions are recorded in journals and ledgers</p> <p>2.6 Explore the Generally Accepted Accounting Principles (GAAP) all hospitality managers must recognise</p> <p>2.7 Outline the (i) going concern principle</p>

	(ii) time period principle (iii) cost principle (iv) consistency principle (v) matching principle (vi) materiality principle (vii) objectivity principle (viii) conservatism principle (ix) full disclosure principle
	2.8 Analyse the hospitality business cycle
3 Outline the different types of adjustment entries, reason for adjustment, account balances before adjustment and the adjustment entries.	3.1 Describe the economic life of business transactions 3.2 Analyse the prepayment recordings and the accounting effects 3.3 Analyse the accrual recordings and the accounting effects 3.4 Analyse the depreciation recordings and the accounting effects 3.5 Demonstrate the postings of adjusting entries 3.6 Demonstrate accounting for cash sales and credit sales 3.7 Outline the accounting for purchasing operations in hospitality 3.8 Describe adjustment accountings
4 Outline the sequence of steps in the accounting cycle	4.1 Demonstrate the preparation of the Trial Balance 4.2 Demonstrate the preparation of the Income Statement 4.3 Demonstrate the preparation of the Retained Earnings Statement 4.4 Demonstrate the preparation of the Balance Sheet
5 Explore the purpose of the Income Statement to hospitality business owners, investors, lenders, creditors and managers.	5.1 Analyse the purpose of Income Statement 5.2 Be able to compute the return on investment 5.3 Demonstrate the format, structure and design of income statement 5.4 Explore hotel revenue categories 5.5 Outline factors to be considered in revenue analysis 5.6 Outline factors to be considered in expenses analysis 5.7 Outline factors to be considered in profit analysis
6 Define a Balance Sheet. Describe how owners, investors, lenders, creditors and managers use information in a balance sheet.	6.1 Outline the purpose of a balance sheet 6.2 Explore the methods accountants use to display information on a balance sheet 6.3 Explore the Balance Sheet content and account formula components 6.4 Outline the methods used to analyse Balance Sheet information
7 Analyse how Statement of Cash Flow shows all sources and uses of funds from operating, investing and financing activities of a business.	7.1 Describe the purpose of the Statement of Cash Flows 7.2 Outline the inflows and outflows of funds for assets

	7.3	Outline the inflows and outflows of funds for liabilities and owners' equity
	7.4	Describe the process and the information required to build a Statement of Cash Flows
	7.5	Outline the Statement of Cash Flows analysis methods
8		Outline the importance of percentages, ratio value, finance leverage and ratio comparators to stakeholders affected by the business' profitability
	8.1	Demonstrate the use of liquidity, solvency, activity, profitability and investor ratios
	8.2	Be able to calculate occupancy percentage ratios
	8.3	Be able to calculate Average Daily Rate (ADR) ratios
	8.4	Be able to calculate Revenue Per Available Room ratios
	8.5	Be able to calculate Revenue Per Available Customer ratios
	8.6	Be able to calculate Cost Per Occupied Room ratios
9		Explore the factors affecting food and beverage pricing.
	9.1	Outline the process in assigning menu prices
	9.2	Explore the marketing and cost approaches to pricing
	9.3	Demonstrate the importance of understand food cost percentage and item contribution margin in making appropriate pricing decisions
	9.4	Outline the operational variables used in menu analysis
	9.5	Outline the direct relationship between a restaurant's profits and its menu prices
10		Explore room rate economics between constant supply of hotel rooms and when supply is not constant.
	10.1	Explore opportunity cost
	10.2	Outline the importance of understanding law of demand for hoteliers
	10.3	Discuss why hotels have multiple rate plans programmed into its property management system
	10.4	Explore the Hubbart Room Rate formula
	10.5	Describe revenue management
11		Outline the different possible approaches to examining cost.
	11.1	Explore the classification of business costs (i) fixed and variable costs (ii) mixed costs (iii) step costs (iv) direct and indirect (overhead) costs (v) controllable and non-controllable costs (vi) joint costs (vii) incremental costs (viii) standard costs (ix) sunk costs (x) opportunity costs
	11.2	Demonstrate, compute and analyse the relationship between volume, costs and profits
	11.3	Illustrate costing ending inventory using FIFO, LIFE and Average Cost methods
	11.4	Explore the variety of useful ways in which hospitality managers view costs

<p>12 Describe the importance of accurate forecasting in hospitality industry.</p>	<p>12.1 Demonstrate seasonal and cyclical trends, other directional movements and random variations</p> <p>12.2 Explore the process of forecasting restaurant revenues</p> <p>12.3 Explore the process of forecasting hotel revenues</p> <p>12.4 Describe the effects of stay-over; no-show; early departure and overstay in predicting forecasts</p> <p>12.5 Outline how forecasts of future revenues are based on previous sales and the importance of past operations in predicting future operations</p>
<p>13 Explore how the budget (financial plan) helps hotel managers in achieving future goals.</p>	<p>13.1 Define long-range budget; annual budget and achievement budget</p> <p>13.2 Describe the purpose of operations budgets</p> <p>13.3 Describe the purpose of cash budgets</p> <p>13.4 Describe the purpose of capital budgets</p> <p>13.5 Outline an effective management control system for a hotel</p> <p>13.6 Describe the principles of internal control system</p> <p>13.7 Describe advantage and disadvantage of preparing and using budgets</p>
<p>14 Describe capital budgeting, capital investment, financial alternatives and taxation</p>	<p>14.1 Outline how capital budgets are used to plan and evaluate purchases</p> <p>14.2 Demonstrate how investors balance the concepts of risk with that of reward</p> <p>14.3 Define Time Value of Money</p> <p>14.4 Demonstrate the (i) savings rate of return (ii) payback period (iii) formula variations</p> <p>14.5 Compare and contrast debt vs equity financing</p> <p>14.6 Outline advantages and disadvantages of (i) leasing (ii) buying</p> <p>14.7 Describe hospitality industry taxes</p>

### **Recommended Learning Resources: Hospitality Managerial Accounting**

<p><b>Text Books</b></p>	<ul style="list-style-type: none"> <li>• Hospital Accounting Practices: Managerial Accounting by Robert W. Broyles. ISBN-10: 0894433768</li> <li>• Hospitality Management Accounting Martin G. Jagels. ISBN-10: 0471687898</li> <li>• Hospitality Industry Managerial Accounting Raymond S. Schmidgall. ISBN-10: 0866123598</li> </ul>
<p><b>Study Manuals</b></p> 	<p>BCE produced study packs</p>
<p><b>CD ROM</b></p> 	<p>Power-point slides</p>
<p><b>Software</b></p> 	<p>None</p>