

SAULT COLLEGE OF APPLIED ARTS & TECHNOLOGY

SAULT STE. MARIE, ONTARIO

COURSE OUTLINE

Course Outline: HOSPITALITY ACCOUNTING PROCEDURES

Code No.: ACC 115

Program: HOTEL AND RESTAURANT MANAGEMENT

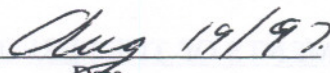
Semester: THREE

Date: SEPTEMBER 1997

Previous Outline
Date: SEPTEMBER 1996

Author: GRANT DUNLOP

APPROVED: 
Dean, School of Business and Hospitality


Date

Total Credits: 4

Prerequisite(s): ACC 105

Length of Course: 4 HOURS/WEEK FOR 16 WEEKS

I. COURSE DESCRIPTION: This course provides the student opportunities to use analytical principles when interpreting financial information in the hospitality industry and cost principles used to effectively price products.

II. LEARNING OUTCOMES AND ELEMENTS OF THE PERFORMANCE:

Upon successful completion of this course the student will:

1. Demonstrate a good understanding of introductory accounting concepts, principles and procedures.

ELEMENTS OF THE PERFORMANCE:

- define and discuss the more important accounting principles and concepts
- list the four methods of depreciation illustrated in the text and use the methods to solve problems
- explain the balance sheet equation
- list the rules for debit and credit entries in accounts
- prepare period- end adjustments to accounts

This learning outcome will constitute approximately 10% of the course's grade.

2. Identify the major financial statements and their main sections, be able to prepare the statements in a number of recognized formats, and discuss other issues relating to the hospitality industry.

ELEMENTS OF THE PERFORMANCE:

- explain the main purpose of financial statements and the value of a uniform system of accounts ✓
- define and explain the difference between an income statement and a balance sheet ✓
- describe the difference between and give examples of direct and indirect or undistributed expenses ✗
- prepare income statements in proper format, calculate net food cost from the given information, and discuss the concept of responsibility accounting ✓
- explain the effect that a specific change in interdepartmental revenue mix will have on overall profit ✓
- list the six major classifications of accounts that could appear on a balance sheet and give examples of the types of accounts that could appear in each classification ✗
- define and calculate retained earnings
- prepare a balance sheet in proper format, state the two methods of balance sheet presentation, and discuss the importance and limitations of a balance sheet ?

This learning outcome will constitute approximately 10% of the course's grade.

3. Demonstrate techniques useful in the analysis and interpretation of financial statements.

ELEMENTS OF THE PERFORMANCE:

- explain some of the ways in which different readers of financial statements are interested in different aspects of those statements ✓
- describe comparative analysis and use it for balance sheet and income statement analysis ✓
- describe comparative common-size analysis and use it for balance sheet and income statement analysis ✓
- calculate average sale, average cost, and average income, per guest ✓
- prepare trend analysis ✓
- prepare an index trend ✓
- use index numbers to convert historical dollars to current dollars ✓

This learning outcome will constitute approximately 10% of the course's grade.

X 4. Apply the information obtained from prepared financial statements to develop relationships in the form of ratio analysis to create new information helpful in managing the business. ✓

ELEMENTS OF THE PERFORMANCE:

- describe the four ways in which a ratio can be expressed
- list and briefly discuss the four bases on which ratios can be compared
- list and briefly describe the value of each of the five major categories of ratios
- briefly explain and use each of the ratios illustrated
- interpret the results after using each of the ratios, stating how a creditor, an owner, and the management may view it from each of their perspectives
- differentiate between net income and profitability ✓
- list and describe briefly the use of some of the various operating ratios common to the hospitality industry ✓
- explain how leverage works in financing ?

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This learning outcome will constitute approximately 12% of the course's grade.

5. Demonstrate an understanding of good internal control guidelines, a effective procedures for the control over cash flows.

ELEMENTS OF THE PERFORMANCE:

- define the purposes of internal control ✓
- briefly describe the two basic requirements for good internal control ✓
- briefly discuss some of the basic principles of good internal control, such as defining job responsibilities, separating record keeping from control of assets, and dividing responsibilities for related tasks ✓
- explain how "lapping" can be used for fraudulent purposes ✓
- list and briefly discuss each of the five control documents used to control purchases ✓

- explain briefly how control can be established over cash receipts and disbursements
- list the procedures necessary to control payroll disbursements
- complete a bank reconciliation
- calculate a standard food or beverage cost from given information ✓

This learning outcome will constitute approximately 13% of the course's grade.

6. Develop and illustrate an understanding of various pricing methods unique to the hospitality industry.

ELEMENTS OF THE PERFORMANCE:

- discuss the pros and cons of various traditional pricing methods used in the hospitality industry and differentiate between long-range and tactical pricing ✓
- explain the concept that net income is a form of cost ✓
- calculate the annual revenue required for a restaurant to cover all its forecast costs (including net income) and convert this revenue figure into an average check amount ✓
- calculate from given information a meal period average check, and explain the effect that menu item sales mix can have on an average check ✓
- discuss the variables or considerations to be kept in mind in menu item pricing, calculate seat turnover figures, and discuss integrated pricing for a restaurant
- calculate the average room rate required to cover all forecasted costs (including net income), convert this rate to an average single and average double rate, and calculate room rates based on room size ✓
- discuss room rate discounting, calculate the occupancy figures for a discount grid, and calculate a potential average room rate and discounted rates for various market segments ✓
- discuss some of the important considerations in pricing, such as an organization's objectives, elasticity of demand, cost structure, and competition ✓
- define and discuss yield management

This learning outcome will constitute approximately 12% of the course's grade.

7. Identify and allocate various types of costs within the hospitality business to enhance the management decision making process.

ELEMENTS OF THE PERFORMANCE:

- briefly define and give examples of some of the major types of cost such as direct and indirect costs, fixed and variable costs, and discretionary costs
- prorate indirect costs to revenue departments and make decisions based on the results
- use relevant costs to help determine which piece of equipment to buy
- use knowledge about fixed and variable costs for a variety of different business decisions, such as to close or not during the off-season
- define the term "high operating leverage" and explain its advantages and disadvantages
- explain and use each of the following three methods to separate semifixed or semivariable costs into their fixed and variable elements: maximum/minimum calculation, multipoint graph, and regression analysis

This learning outcome will constitute approximately 13% of the course's grade.

8. Apply the concepts of Cost-Volume-Profit relationships to analyzing financial results.

ELEMENTS OF THE PERFORMANCE:

- briefly discuss some of the assumptions and limitations inherent in CVP analysis
- prepare and use a graph, given information about sales and fixed and variable costs
- state the CVP equation for determining sales levels in dollars
- state the CVP equation for determining sales levels in units
- use either of the two equations as an aid in making a variety of different business decisions
- explain the term "contribution margin"
- use CVP analysis to solve problems concerning joint fixed costs in a multi-department establishment
- incorporate tax considerations into CVP analysis

This learning outcome will constitute approximately 20% of the course's grade.

III. TOPICS TO BE COVERED:

1. Accounting Review
2. Understanding Financial Statements
3. Analysis and Interpretation of Financial Statements
4. Ratio Analysis
5. Internal Control
6. The "Bottom Up" Approach to Pricing
7. Cost Management
8. The CVP Approach to Decisions

IV. REQUIRED RESOURCE/TEXT/MATERIALS:

Hospitality Management Accounting, Michael M. Coltman, 5th Edition, Nelson Publishers
Student Workbook, Hospitality Management Accounting, Michael M. Coltman

V. EVALUATION PROCESS/GRADING SYSTEM:

The final grade will be based on four tests administered during the term as follows:

Test #1	30%	Chapters 1,2,3
Test #2	25%	Chapters 4,5
Test #3	25%	Chapters 6,7
Test #4	20%	Chapter 8

Grand Total	100%	
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An optional final exam will be made available at the end of the semester for those who wish to replace their mark on the exam for a failed or missed test. The final exam is a comprehensive test drawing from all of the material covered during the semester.

Grades will be assigned as follows:

90-100%	A+	Consistency Outstanding
80-89%	A	Outstanding
70-79%	B	Above Average
60-69%	C	Satisfactory
Below 60%	R	Repeat

VI. SPECIAL NOTES:

Attendance is critical to the participant's success in this course.

Special Needs

If you are a student with special needs (e.g. physical limitations, visual impairments, hearing impairments, learning disabilities), you are encouraged to discuss required accommodations with the professor and/or contact the Special Needs Office, Room E2104, Ext. 493, 717, 491, so that support services can be arranged for you.

Plagiarism

Students should refer to the definition of "academic dishonesty" in the "Statement of Student Rights and Responsibilities."

Students who engage in "academic dishonesty" will receive an automatic failure for that submission and/or such other penalty, up to and including expulsion from the course, as may be decided by the professor.

Retention of Course Outlines

It is the responsibility of the student to retain all course outlines for possible future use in acquiring advanced standing at other post-secondary institutions.

Substitute Course Information: available at Registrar's Office.

The Professor reserves the right to modify the course as deemed necessary.