

Chapter 8

Managerial Accounting for Non–Accountants in Restaurant Operations

ABSTRACT

This chapter discusses the accounting functions of a foodservice operation. A foodservice manager does not need to know accounting to its fullest extent as he/she would be capable of substituting a financial controller; instead, the manager only needs to have a broad and sound knowledge of the accounting department's activities. Therefore, this chapter will prepare the foodservice manager, mainly with the "managerial accounting branch" and less with the others. Accordingly, the chapter is titled "Managerial Accounting for Non-Accountants."

LEARNING OBJECTIVES

After studying the chapter, the reader will be familiar with:

- Concept and understanding of accounting in general and foodservice specific
- The accounting department, its operational activities, and organization
- Financial responsibilities of the financial controller and the foodservice manager
- Definition of accounting and its scope in foodservice
- Branches of accounting
- Industry-specific accounting functions as they apply to a foodservice business
- Budgeting
- Forecasting
- Capital investment
- Purchasing
- Cost control

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A. INTRODUCTION TO FOOD AND BEVERAGE SERVICE ACCOUNTING

Is there a difference between financial management and accounting management? This chapter discussed basic accounting principles about revenue management, business analysis, reporting, financial control, budgeting and forecasting principles, and more (David & Britton, 2004). The term finance may be defined as “*the discipline of funds management*,” in other words, the management of money capital. In practical business terms, a “*fund*” could be interpreted as the “means” to provide “funding” or monetary capital for a project, a person, a business, or any other private or public institution. Thus, finance is about a corporation’s financial decisions, an individual, a public or private entity, including governments. The players face two basic financial questions in the daily economic environment: 1. what investments should be made? 2. How to pay for those investments? The secret of financial management success is to increase value for the entity.

The hospitality industry, in general, has always dealt with one of the most complex accounting systems. Because the hospitality industry has always been global, it had to create systems that could be widely understood and standardized. It strived to have one currency, common systems of measurement, evaluation, and records. What continues to be different from one country to another, to name some, is the tax and reporting system. The tax law, of course, influences the way records must be kept, the length of time, what kinds of records, and, to a certain extent, the profitability of a business. To make the hospitality accounting system more standardized and simplified, The Financial Hotel Association of New York City published 1926, the first edition of the Uniform System of Accounts For The Lodging Industry.

The scope was to create a standardized and uniformed accounting system for the lodging industry. In the fall of 2006, the fall of 2006. As for everything else we deal with, the USALI, too, needed many changes. When the 10th edition was released, the Financial Management Committee also released a summary of the fundamental changes in specific sections of the revised and improved 10th edition. These changes were first reported in the Lodging Magazine and The Bottom-Line Magazine. Copies of the latest edition of the USALI are available for purchase at the Educational Institute of the AH&LA (2020) website at www.ei-ahla.org (AH&LA, 2020). The Revised Edition published in 2014 by The Financial Management Committee of the American Hotel and Lodging Association (AH&LA), in conjunction with the Hospitality Financial and Technology Professionals (HFTP), establishes standardized formats and account classifications to guide accountants and managers in the preparation and presentation of financial statements for lodging operations in general and the foodservice operation housed in a hotel/resort setting. The National Restaurant Association has developed the Uniform System of Accounts for Restaurants (USAR) for the restaurant industry alone. The Uniform System of Financial Reporting for Clubs (USFRC) was produced through the collaboration of Hospitality Financial and Technology Professionals (HFTP) and the Club Managers Association of America (CMAA). It is the club accounting resource for club managers, officers, and controllers. Like the USAR, the USFRC seeks to provide a consistent and clear way to record sales, expenses, and overall financial conditions. The attempts to provide operators guidelines rather than mandated methodology. All three Uniform System of Accounts, the one for the Lodging Industry, that for the restaurant industry, and the other for club management are guidelines every foodservice manager must have on the desk and familiar with. These guidelines are updated as needed in line with the Generally Accepted Accounting Principles (GAAP) (Murphy, 2003; Dellaportas, 2006; Love, 2008.) The USALI, USAR, and USFRC contain all necessary so-called “schedules” and cover important topics that have been adopted by most hospitality companies worldwide. The USALI guidelines are the most complete because they include accounting guidelines for the entire hospitality service and lodging operation, such as a resort and a corporate business hotel. The USALI includes, but not limited to, instructions about:

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