

Journal of Hospitality Financial Management

The Professional Refereed Journal of the International Association of Hospitality Financial Management Educators

Volume 12 | Issue 1

Article 10

2004

Hospitality Financial Accounting by Jerry J. Weygandt, Donald E. Kieso, Paul D. Kimmel, and Agnes L. DeFranco

William Hsu
Brigham Young University

Steven Kang
Brigham Young University

Follow this and additional works at: <https://scholarworks.umass.edu/jhfm>

Recommended Citation

Hsu, William and Kang, Steven (2004) "Hospitality Financial Accounting by Jerry J. Weygandt, Donald E. Kieso, Paul D. Kimmel, and Agnes L. DeFranco," *Journal of Hospitality Financial Management*. Vol. 12 : Iss. 1 , Article 10.

Available at: <https://scholarworks.umass.edu/jhfm/vol12/iss1/10>

This Book Review is brought to you for free and open access by ScholarWorks@UMass Amherst. It has been accepted for inclusion in Journal of Hospitality Financial Management by an authorized editor of ScholarWorks@UMass Amherst. For more information, please contact scholarworks@library.umass.edu.

BOOK REVIEW

Hospitality Financial Accounting

Jerry J. Weygandt, Donald E. Kieso, Paul D. Kimmel, and Agnes L. DeFranco
Hoboken, NJ: Wiley, 2004, 512 pages, hardcover, ISBN 0-471-27055-5

The first edition of *Hospitality Financial Accounting* is exceptionally suited for hospitality students with minimal experience or even no background in accounting practice.

The textbook's strength is in its comprehensiveness, practicality, ample amounts of real-world industry examples, and user-friendly full-color illustrations. Kudos to professors Weygandt et al. who managed to design an accounting textbook that defuses the complex nature of accounting to be very clear, easy to read, and enticing to the students.

Each chapter pulls all the learning aids together in a Navigator chart that identify check boxes of topical features in the text that students check off as they read through the chapter. For those beginning level, non-accounting students, this may be the most complete text in every aspect.

Unlike other accounting textbooks that primarily emphasize maximizing revenues, this text goes a step further to focus on improving problem-solving skills, decision-making skills, and business ethics that are becoming increasingly valued in today's business world. Hence, this book is useful not only to develop essential accounting concepts and analytical skills, but also to prepare students effectively to become future hospitality managers.

This textbook consists of thirteen chapters. Each chapter starts with a Feature Story to lead off toward the Study Objective of the chapter, and ends with the Summary of Study Objectives and the Glossary. The unique opening dialogue/feature allows students to be intrigued and can help them to better relate the chapter's subject material to real-world business practices; in that sense, as they progress through the chapter, they can understand better *how* and *why* the accounting principles are applied as introduced at the beginning of the chapter.

Moreover, each chapter is filled with little tidbit columns like Technology in Action and Accounting in Action—*business insight* that present what is in the business world's practice. At both sides of the pages, it is beneficial to see it being filled with a Helpful Hint column, or just a host of colorful figures and drawings to illustrate a particular concept. Throughout the text, accounting equations in the margins next to the key journal entries reinforce the students' ability to learn about the transaction. In addition, it is a delight to have the Exploring the Web section and the Ethics Case section at the end of the Exercises that allow the students to explore the real life issues as well as real world challenges—a great way to enhance the students' understanding of the text materials. These unique features truly have made reading the complex concepts of accounting less of a chore.

Chapter 1 starts with basic concepts of accounting principles. It defines the purpose of accounting activity in the business arena. In addition, it introduces some basic accounting terms as well as business transaction analysis in terms of accounting principles. As well, the chapter introduces the basic components of financial statements. Well-illustrated examples and transactional charts enhance visual appeal and help the viewers to grasp the fundamental concepts of accounting.

Chapter 2 explores further basic accounting principles and features some of the fundamental financial statements analyzation by using ratio analysis formulas. The chapter presents inclusive coverage of the *Uniform System of Accounts* from the American Hotel & Lodging Association, which categorize according to different types of hospitality industries (lodging, foodservice, club, and gaming industries) by the text. Excellent illustrations of departmental structure in the lodging industry and hotel accounting department are included to provide students clear insight in some of the accounting functions' roles and their relationships.

Chapter 3 depicts the systematic basic accounting record process and procedure. Starting with the concept of account, it also discusses how dividends, revenues, and expenses can influence stockholder's equity. Simple yet important, the concepts of debits, credits, revenues, and expenses are well illustrated. Moreover, this chapter puts much emphasis on the recording processes and transactional analyses, and incorporates the functions of journal, ledger, posting, and trial balance, thus ensuring students a clear picture of the entire recording process.

Chapter 4 highlights accrual basis vs. cash basis accounting and the basics of adjusting entries. Detailed illustrations certainly make the text user friendly. More importantly, the chapter explains the *revenue recognition principle* in relevance to the service industry.

Chapter 5 introduces the concept of how to prepare the worksheet and its function in preparing the financial statements. The process of closing the books is also presented and each necessarily step in the accounting cycle is well illustrated. Rarely does any write up of the step-by-step preparation of a work sheet draw any excitement from reading the text—this one does! The chapter's Illustration 5.2, using a few pages of transparency overlay, has actually managed to illustrate brilliantly how the figures flow into various columns of debits and credits. It cannot be any clearer how the numbers fall into place: from the trail balance to the Adjustments; to Adjusted Trial Balance; to the Income Statement; and finally to the Balance Sheet.

Chapter 6 then focuses on the relationship of general ledger and subsidiary ledgers, special journals and their purposes and types with illustrated posting process examples.

Chapter 7 touches upon merchandising operations and takes the students through the accounting cycle in proper sequence. In addition to the lodging industry, learning about merchandising provides a much broader scope. This chapter is well suited for understanding business operations like fast-food establishments and other food wholesalers that require an inventory system. However, this chapter is not limited only to the service industry, but gives some extended view on other types of merchandising operation as well.

Chapter 8 focuses on the importance of cash components of financial statements, format of statement of cash flows, comparison between multiple-step and single-step income statements, direct and indirect methods for statement of cash flows as well as classification of cash flows (operating, investing, financing activities).

Chapter 9 discusses internal control for payroll, which represents a significant percentage of cost in the hospitality industry. The method of determining the payroll with its control mechanism, recording the employee payroll, even featuring the reporting of tips is quite appropriate and up to date for the service industry. Other federal and state payroll-related tax applications are well explained in simplicity along with in-depth charts and illustration.

Chapter 10 begins with an in-depth discussion on inventory cost control featuring a full scope of the different cost allocation methods such as the FIFO, LIFO, and weighted average cost methods. Continuing in much detail, the chapter discusses how these methods would ultimately affect financial statements and taxation. Additionally, detailed and lengthy demonstration on the use of bank account is featured for internal control. Finally, to help with the understanding of the bank statements, the purpose and procedure for a prototypical bank reconciliation exemplar are clearly illustrated.

Chapter 11 introduces accounts receivable, other types of receivables and accounts payables (current liabilities). The chapter also emphasizes the use of credit and its policies in the hospitality industry. Methods of treatment for uncollectible accounts are explained in a straightforward manner with examples and illustrations. This new kind of infographics helps visualize the accounting concepts in an entertaining way and is very memorable visual reminder.

Chapter 12 covers a variety of subjects including long-term tangible and intangible assets with their classifications; depreciation and amortization methodologies; revenue and capital expenditures with methods of disposals; and finally classification of intangible assets. Simple illustrations and computations have made the concept understanding so much more transparent and easy.

Chapter 13 gives an insightful discussion on different business categories (sole proprietorships, partnerships, and corporations). The characteristics of each business format are presented in detail. The chapter presents in detail the pros and cons of each business types (even S-Corporation), highlighting their respective accounting principles and applications with illustrated formats of respective financial statements. Again, much comprehensive illustrations are provided for cash dividends, stock dividends, retained earnings, thus students would not only be able to prepare entries, but also perhaps help understand their future career path with these business categories.

This textbook sets very clear purposes in teaching hospitality students basic financial accounting. This textbook even includes Hilton Hotels' year 2001 annual report, which provides students views on the real world financial statements. There are also supplementary materials, which include the instructor's manual, student learning aids, and the companion website for both instructors and students.

The instructor's manual corresponds well with the textbook's chapters. The manual has not only provided chapter objectives and review, but it has also thoughtfully included lecture outline for each chapter. In addition, the manual coincides with the PowerPoint slides that are available on the book's website, which is a plus. With the extra "Teacher's Tip" column for additional pointers to remind the teachers how the exercises tie in with the PowerPoint slides, it is very beneficial for instructors to save time in preparing an effective lecture. The solutions for chapter exercises and web questions are included as well as a test bank for each chapter (600 for the entire text). The difficulty level of the given test questions is at par with the beginner stage, yet the questions are compatible with the book's learning objectives and they are effective in evaluating students' understanding of the subject.

Student learning aids are available in two separate formats. One is the Working Papers in accounting forms for the students to complete by each chapter. The other format is the CD-ROM that contains Excel Working Papers. Students may choose either of the formats: the CD-ROM with Excel spreadsheet forms or the paperback Working Papers to complete the exercises. The advantage of using CD-ROM is to enable students to hand homework electronically. It is a great way for students to get accustomed to the real world's computerized working environment. The other teaching aid is the book's website, where students can review their understanding of a given chapter/subject through on-line quizzes and questions with answers provided in the Exploring the Web section in the Instructor Manual.

These wonderful assets are certain to motivate students to learn and enhance their comprehension. Despite the textbook's intention to be used at introductory level, the authors' high quality to every detail toward enriching the students' learning while aiding the instructor with excellent supportive materials may have made this *Hospitality Financial Accounting* text and its teaching materials the benchmark of excellence for hospitality accounting teaching.

William Hsu
and
Steven H. S. Kang
Brigham Young University
Hawaii