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EVOLUTION OF THE UNIFORM SYSTEM OF ACCOUNTS FOR THE LODGING INDUSTRY

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ABSTRACT. The *Uniform System of Accounts for the Lodging Industry (USALI)* was first written in 1926 and has been revised several times since then. Over the decades, the terminology used in this system has changed. For instance, the income statement was referred to as the profit and loss statement in early editions, and the cigar stand was listed as an operated department as part of the income statement through the sixth edition but not thereafter. This article recapitulates the evolution of the *USALI* since its inception by examining and comparing the contents of this system from the first through the tenth editions. As such, the *USALI* is better understood.

INTRODUCTION

The *Uniform System of Accounts for the Lodging Industry (USALI)* 10th revised edition is the result of numerous changes over 80 years from when the first edition was first published in 1926. The *USALI*, like uniform systems of accounts for other segments of the hospitality industry, is designed to provide guidance to industry financial executives, as well as operations managers.

According to Schmidgall (2011), a uniform system of accounts is useful for four major reasons:

1. A uniform system of accounts provides a turnkey system for new entrants into the hospitality industry by offering detailed information about accounts, classifications, formats, and the different kinds, contents, and uses of financial statements and reports. For example, the *Uniform System Of Accounts for the Lodging Industry*, 10th revised edition, contains not only the basic financial statements, but also 19 supplementary departmental operating statements, appendices covering ratio analysis and statistics, and an expense dictionary.
2. A uniform system of accounts also allows for a more reasonable comparison of the operational results of similar hospitality properties. When various establishments follow a uniform system of accounts, the differences in accounting among these hospitality properties are minimized, thus ensuring comparability.
3. A uniform system of accounts is a time-tested system. The *Uniform System of Accounts for Hotels (USAH)* was first published in 1926. Since then, the *USAH* has been revised many times by committees, beginning with New York City accountants and later, by accountants from across the United States. In 1961, to meet the needs of its members, the American Hotel & Lodging Association appointed the National Association of Accountants to develop the *Uniform System of Accounts and Expense Dictionary for Small Hotels, Motels, and Motor Hotels (USASH)*, which also was revised a number of times. Then, in 1996, the Hotel Association of New York City and the American Hotel & Lodging Association combined their efforts to produce a single, updated, and authoritative uniform sys-

tem of accounts—the *Uniform System Of Accounts For the Lodging Industry (USALI)*. The 10th revised edition of the *USALI* was released in 2006. (Please note that editions after the 3rd are referred to as *revised* editions, for example, 10th revised edition. For simplicity purposes, the word “revised” before an edition number is not used every time in this article.)

4. This uniform system of accounts can be adapted for use by large and small hospitality operations. The *USALI* contains many more accounts and classifications than will generally be used by a single hotel or motel. Therefore, each facility simply selects the schedules and accounts that are required for its use and ignores the others.

The *USALI* is designed to be used at the property level rather than the corporate level of a hotel. The format of the income statement is based on responsibility accounting. That is, the presentation is organized to focus attention on departmental results such as the rooms and food departments.

The initial uniform system, referred to as *Uniform System of Accounts for Hotels*, was published in 1926 by the Hotel Association of New York City. Incidentally, this association still owns the copyright to the *USALI*.

Two committees were formed to prepare the first uniform system. The Proprietors’ Committee was led by E. M. Statler of Hotel Pennsylvania and the Accountants’ Committee was chaired by William J. Forster of Harris, Kerr, Forster & Company. Both New York State’s Society of CPAs and the American Institute of Accountants, predecessor to the AICPA, were also represented as part of the process. Over the past eighty years of revisions, only PKF (a network of independent accounting firms) has had a representative on each revision committee according to John Baldante, the current representative for PKF on the revision committee currently preparing the 11th revision.

The first edition of *USAH* was only 91 pages and was priced to sell for \$5.00 as printed on the cover. By comparison, the 6th edition,

published in 1961, contained 102 pages and was priced at \$4.50 and was the last edition with the price printed in the book. The 10th edition, by comparison, contains 275 pages.

UNIFORM SYSTEM OF ACCOUNTS FOR MOTELS/MOTOR HOTELS/SMALL HOTELS

In 1961, the American Hotel & Motel Association (AH&MA) appointed the National Association of Hotel Accountants (now the Hospitality Financial Technology Professional Association, or HFTP) to develop a uniform system of accounts for motels, motor hotels, and small hotels. The result was a uniform system containing an expense dictionary. A separate edition for smaller properties was last published (the 4th edition) in 1987, and it contained three parts:

Part I: Basic Financial Statements

Section I Balance Sheet

Section II Statement of Income for Limited Service Hotels and Motels

Section III Statement of Income for Full-Service Hotels and Motels

This section includes 19 schedules such as rooms, food and beverage, telephone, etc.

Section IV Statement of Changes in Financial Position

Section V Statement of Cash Flow

Section VI Notes to Financial Statement

Part II: Using Financial Information

Parts that followed:

1. Sample Chart of Accounts
2. Simplified Bookkeeping for Limited Services Hotels and Motels
3. Financial Statement Formats
4. Ratio Analysis
5. Operations Budgeting and Budgetary Control
6. Breakeven Analysis

Part III: Expense Dictionary

This edition contained 182 pages compared to 128 pages in the first edition for

TABLE 1. Evolution of Uniform System of Accounts for the Lodging Industry – Contents Table

| | Edition | 1st | 2nd | 3rd | 4th | 5th | 6th | 7th | 8th | 9th | 10th |
|--|---------|--------|--------|--------|--------|--------|--------|------|------|------|------|
| Year | | 1926 | 1933 | 1939 | 1946 | 1952 | 1961 | 1977 | 1986 | 1996 | 2006 |
| Pages | | 91 | 95 | 100 | 102 | 107 | 102 | 129 | 139 | 238 | 275 |
| Price Listed on Cover | | \$5.00 | \$2.50 | \$2.50 | \$2.50 | \$3.50 | \$4.50 | N/A | N/A | N/A | N/A |
| CONTENTS | | | | | | | | | | | |
| Financial Statements | | | | | | | | | | | |
| Balance Sheet | | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Summary of Profit and Loss (through 5th) / Statement of Income (after 5th) | | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Statements of Shareholders' Equity, Partners' Equity and Owner's Equity (8th) / Statement of Owners' Equity (9th & 10th) | | No | No | No | No | No | No | No | Yes | Yes | Yes |
| Statement of Changes in Financial Position | | No | No | No | No | No | No | Yes | Yes | No | No |
| Statement of Cash Flows | | No | No | No | No | No | No | No | Yes | Yes | Yes |
| Notes to the Financial Statements | | No | No | No | No | No | No | No | Yes | Yes | Yes |
| Departmental Statements of Income (8th & 9th) / Operating Statements (10th) | | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Number of Schedules (including sub-schedules) | | 23 | 25 | 24 | 26 | 25 | 23 | 20 | 26 | 31 | 19 |
| Statement for Gaming Operations (9th*) / Casino | | No | No | No | No | No | No | Yes | No | Yes | No |
| Management Fees | | No | No | No | No | No | No | No | No | Yes | Yes |
| Statement for Properties Operated by a Management Company | | No | No | No | No | No | No | No | Yes | Yes | No |
| Financial Analysis | | | | | | | | | | | |
| Forms of Departmental Profit and Loss And Expense Schedules (through 6th)/Forms of Statements (7th)/Statement Formats (8th)/Financial Statement Formats (9th) | | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No |
| Balance Sheet Statistics (8th)/Ratio Analysis and Statistics (9th) | | Yes | No | No | No | No | No | No | Yes | Yes | Yes |
| Breakeven Analysis | | No | No | No | No | No | No | No | No | Yes | No |
| Budgeting and Forecasting (7th & 8th) /Operations Budgeting and Budgetary Control (9th) | | No | No | No | No | No | No | Yes | Yes | Yes | No |
| Distribution of General Overhead Expenses to Operated Departments (5th & 6th)/Distribution of Overhead Expense(s) to Operated Departments (7th & 8th)/Guidelines for Allocating Expenses to Operated Departments (9th) | | No | No | No | No | Yes | Yes | Yes | Yes | Yes | No |
| Recording financial information | | | | | | | | | | | |
| Sample Chart of Accounts | | No | No | No | No | No | No | No | No | Yes | No |
| Simplified Bookkeeping for Limited Service Properties | | No | No | No | No | No | No | No | No | Yes | No |
| Expense Dictionary | | | | | | | | | | | |
| Uniform Account Numbering System | | No | No | No | No | No | No | No | No | Yes | Yes |
| Sample Set of Uniform System Statements | | No | No | No | No | No | No | No | No | Yes | No |

Special thanks to John Baldante, Chairman of PKF for supplying information regarding the 1st and 3rd editions.

smaller properties. The ninth edition of the *USAH*, published in 1996, was written to cover all lodging properties and was titled the *Uniform System of Accounts for the Lodging Industry*. Thus, a separate edition for small properties ceased in 1996.

CONTENTS OF UNIFORM SYSTEM FROM THE FIRST THROUGH THE TENTH EDITIONS

Table 1 contains selected contents of the different editions starting in 1926 (the first edition) and ending with the tenth edition. Shown at the top of this table are the edition numbers, the copyright year, the number of pages, and the published price of the book. It is interesting that the number of pages increased fairly slowly from the first through the 8th edition. The 8th edition had 139 pages whereas the 9th edition had 238 pages and has now grown to 275 pages with the current revised edition (the 10th). The major change is the inclusion of the expense dictionary. The expense dictionary in the 10th edition is 81 pages in length.

Each edition has included various financial statements. Some name changes occurred over time such as Summary of Profit and Loss (editions 1–5) and Statement of Income (editions 6–10). The Statement of Changes in Financial Position was included in only the 7th and 8th editions, whereas the Statement of Cash Flows was first included in the 8th edition and continues to be included in later editions of the *USALI*.

The number of schedules to support the Statement of Income has varied over the 10 editions. The first edition had 23 suggested schedules whereas the 9th edition had a high of 30. The current edition suggests 19 different schedules.

The financial analysis section of the various editions addressed a number of topics over the first ten editions. Breakeven analysis was included in only the 9th edition. The distribution of overhead expenses was presented in the 5th through the 9th editions but not in the 10th edition.

A few topics, such as a sample chart of accounts and simplified bookkeeping for limited service properties and a sample set of uniform system statements, were included only in the 9th edition. A uniform account numbering system was included only in the 7th and 8th editions.

As stated previously, only the 9th and 10th editions of the *USALI* contain an expense dictionary. Though prior editions did not contain an expense dictionary, in 1962 a separate book titled *Expense and Payroll Dictionary* was published by the AH&MA. The preface to the 1962 edition revealed that the first expense and payroll dictionary was compiled by Horwath & Horwath in 1930.

COMPARISON OF BALANCE SHEETS

Some changes occurred in most statements from edition to edition. The balance sheets from the 2nd edition (1933) and 10th edition (2006) are shown in Exhibits 1 and 2, respectively, and a quick comparison suggests several changes in account names as follows:

| <u>1933</u> | <u>2006</u> |
|--|---------------------------------|
| Reserve for doubtful accounts | Allowance for doubtful accounts |
| Reserve for depreciation | Accumulated depreciation |
| Reserve for amortization | Accumulated amortization |
| Discounted expense on funded indebtedness | Deferred charges |
| China, glassware, linen, silver and uniforms | Operating equipment |
| Deposits on rents and banquets | Advance deposits |
| Funded indebtedness | Long-term debt |
| Capital | Owners' equity |

Some other notable changes are as follows:

- The 2nd edition does not include prepaid expenses as a current asset although the 10th edition does.
- The 2nd edition shows china, glassware, linen, silver, and uniforms as fixed assets whereas these items are shown as operating equipment in the 10th edition

with portions under current assets and other assets. China, glassware, etc. appeared in all editions through the 9th edition.

- Preopening expenses are shown as deferred expenses in the second edition, and preopening expenses are not shown in the 10th edition because proper accounting procedure in 2006 was to write them off when incurred.
- The 2nd edition contains no references to deferred income taxes although there are four references in the balance sheet of the 10th edition. Deferred income taxes first appeared in the 7th edition and then only as a noncurrent liability.
- In the 2nd edition, several accrued expenses are shown as current liabilities such as salaries and wages, taxes—real estate, taxes—other, interest on funded indebtedness, and so on, whereas in the 10th edition, a single entry, “accrued expenses,” is shown, although a separate line is provided for income taxes payable.
- Management company is only mentioned in the 10th edition; management companies were not in existence for hotels in the early 1900s.
- Trade advertising is mentioned twice in the 2nd edition and through the 6th edition but not in the 7th through the 10th editions.
- If the business is organized as a corporation, the earnings not paid out to owners is called surplus in the 2nd through the 5th editions, whereas in the 6th through the 10th editions it is called retained earnings.
- Owners’ equity is referred to as capital stock (if a corporation) in the 2nd through the 5th editions, whereas it is stockholders’ equity in the 6th through the 10th editions.

Exhibit 1
2nd Edition
BALANCE SHEET

| Assets | | |
|---|-------|-----------|
| CURRENT ASSETS | | |
| Cash on Hand | \$ | |
| Cash in Bank | | \$ |
| | _____ | |
| Notes Receivable | \$ | |
| Accounts Receivable | | |
| Accrued Interest Receivable | | |
| | _____ | |
| Total Receivables | \$ | |
| Less: Reserve for Doubtful Accounts | | |
| | _____ | |
| Inventories of Merchandise and Supplies | | |
| Marketable Securities | | |
| Other Current Assets | | |
| | | _____ |
| Total Current Assets | | \$ |
| DUE FROM OFFICERS AND EMPLOYEES | | |
| DUE FROM AFFILIATED AND ASSOCIATED COMPANIES | | |
| FUNDS IN HANDS OF TRUSTEES | | |
| DEPOSITS WITH PUBLIC SERVICE CORPORATIONS | | |
| PREPAID EXPENSES | | |
| Insurance | | \$ |
| Taxes | | |
| Rental of Telephone Facilities | | |
| Other Prepaid Expenses | | |
| | | _____ |
| INVESTMENTS | | |
| FIXED ASSETS | | |
| Land | | \$ |
| Buildings | \$ | |
| Less: Reserve for Depreciation | | |
| | _____ | |
| Leasehold and Leasehold Improvements | \$ | |
| Less: Reserve for Amortization | | |
| | _____ | |
| Furniture and Equipment | \$ | |
| Less: Reserve for Depreciation | | |
| | _____ | |
| China, Glassware, Linen, Silver and Uniforms | | |
| | | _____ |
| DEFERRED EXPENSES | | |
| Organization and Financing Expenses | | \$ |
| Preopening Expenses | | |
| Discount and Expense on Funded Indebtedness | | |
| Rental Agents' Commissions | | |
| Alterations for Tenants | | |
| Advertising | | |
| Other Deferred Expenses | | |
| | | _____ |
| TRADE ADVERTISING UNUSED | | |
| OTHER ASSETS | | |
| Good Will | | |
| | | _____ |
| TOTAL ASSETS | | \$ |
| | | _____ |

Exhibit 1
2nd Edition

BALANCE SHEET

Liabilities and Capital

CURRENT LIABILITIES

| | | |
|---------------------------------|----|----|
| Notes Payable | | \$ |
| Accounts Payable | | |
| Trade Creditors | \$ | |
| Others | | |
| | | |
| Federal Income Tax | | |
| Dividends Payable | | |
| Accrued Expenses | | |
| Salaries and Wages | \$ | |
| Taxes—Real Estate | | |
| Taxes—Other | | |
| Interest on Funded Indebtedness | | |
| Interest—Other | | |
| Other Accruals | | |
| | | |
| Other Current Liabilities | | |
| | | |
| Total Current Liabilities | | |

DUE TO AFFILIATED AND ASSOCIATED COMPANIES

DEPOSITS ON RENTS AND BANQUETS

TRADE ADVERTISING DUE BILLS OUTSTANDING

FUNDED INDEBTEDNESS

| | | |
|---------------------|--|----|
| Bonds and Mortgages | | \$ |
| Debentures | | |
| Long-Term Notes | | |
| | | |

UNEARNED INCOME

RESERVES

| | | |
|-------------------------|--|----|
| Repairs and Maintenance | | \$ |
| Other | | |
| | | |

CAPITAL STOCK (If a Corporation)

| | | |
|---------------------------------------|----|----|
| Authorized Shares | | |
| Par Value \$ Each | \$ | |
| Less: Unissued Shares | | |
| | | |
| Issued Shares | | \$ |
| Less: Treasury Stock Shares | | |
| | | |
| Outstanding Shares | | \$ |

SURPLUS (Or, Less Deficit)

| | | |
|---------------------------|--|--|
| Total Capital and Surplus | | |
|---------------------------|--|--|

NET WORTH (If a Partnership or Individual)

| | | |
|-----------------|--|----|
| A | | \$ |
| B | | |
| | | |
| Total Net Worth | | |

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**Exhibit 2
10th Edition**

BALANCE SHEET

Assets

| CURRENT ASSETS | Current Year | Prior Year |
|--|---------------------|-------------------|
| Cash | | |
| House Banks | \$ | \$ |
| Demand Deposits | | |
| Temporary Cash Investments | | |
| Total Cash | | |
| Restricted Cash | | |
| Short-Term Investments | | |
| Receivables | | |
| Accounts Receivable | | |
| Notes Receivable | | |
| Current Maturities of Noncurrent Receivables | | |
| Other | | |
| Total Receivables | | |
| Less Allowance for Doubtful Accounts | | |
| Net Receivables | | |
| Due To/From Owner, Management Company, or Related Party | | |
| Inventories | | |
| Operating Equipment | | |
| Prepaid Expenses | | |
| Deferred Income Taxes—Current | | |
| Other | | |
| Total Current Assets | | |
| NONCURRENT RECEIVABLES, Net of Current Maturities | | |
| INVESTMENTS | | |
| PROPERTY AND EQUIPMENT | | |
| Land | | \$ |
| Buildings | | |
| Leaseholds and Leasehold Improvements | | |
| Furnishings and Equipment | | |
| Construction in Progress | | |
| Total Property and Equipment | | |
| Less Accumulated Depreciation and Amortization | | |
| Net Property and Equipment | | |
| OTHER ASSETS | | |
| Intangible Assets | | \$ |
| Cash Surrender Value of Life Insurance | | |
| Deferred Charges | | |
| Deferred Income Taxes—Noncurrent | | |
| Operating Equipment | | |
| Restricted Cash | | |
| Other | | |
| Total Other Assets | | |
| TOTAL ASSETS | \$ | \$ |

Exhibit 2
10th Edition

BALANCE SHEET

Liabilities and Owners' Equity

| CURRENT LIABILITIES | Current Year | Prior Year |
|--|---------------------|-------------------|
| Notes Payable | | |
| Banks | \$ | \$ |
| Others | | |
| Total Notes Payable | | |
| Due To/From Owner, Management Company, or Related Party | | |
| Accounts Payable | | |
| Accrued Expenses | | |
| Advance Deposits | | |
| Income Taxes Payable | | |
| Deferred Income Taxes—Current | | |
| Current Maturities of Long-Term Debt | | |
| Other | | |
| Total Current Liabilities | | |
| LONG-TERM DEBT , Net of Current Maturities | | |
| Mortgage Notes, other notes, and similar liabilities | | |
| Obligations Under Capital Leases | | |
| Total Long-Term Debt | | |
| OTHER LONG-TERM LIABILITIES | | |
| DEFERRED INCOME TAXES—NONCURRENT | | |
| COMMITMENTS AND CONTINGENCIES | | |
| OWNERS' EQUITY —one of the formats found on the next page | | |
| TOTAL LIABILITIES AND OWNERS' EQUITY | \$ | \$ |

| Exhibit 3 10th Edition | | |
|---|---------------|------------|
| STATEMENT OF INCOME | | |
| | <u>Period</u> | |
| | Current Year | Prior Year |
| REVENUE | \$ | \$ |
| Rooms | | |
| Food and Beverage | | |
| Other Operated Departments | | |
| Rentals and Other Income | | |
| Total Revenue | | |
| EXPENSES | | |
| Rooms | | |
| Food and Beverage | | |
| Other Operated Departments | | |
| Administrative and General | | |
| Sales and Marketing | | |
| Property Operation and Maintenance | | |
| Utilities | | |
| Management Fees | | |
| Rent, Property Taxes, and Insurance | | |
| Interest Expense | | |
| Depreciation and Amortization | | |
| Loss or (Gain) on the Disposition of Assets | | |
| Total Expenses | | |
| INCOME BEFORE INCOME TAXES | | |
| INCOME TAXES | | |
| Current | | |
| Deferred | | |
| Total Income Taxes | | |
| NET INCOME | \$ | \$ |

COMPARISONS OF INCOME STATEMENTS

The 10th edition of the *USALI* mentions income statements for both external users such as creditors and internal users, which is management, and examples of both are provided. Exhibit 3 is the format from the 10th edition for external users, and Exhibit 4 is the format from the same edition for management. The title of Exhibit 4 is Summary Operating Statement, and it is designed for use primarily by management. Missing from this statement are two common expenses for

most hotels: notably, depreciation and interest expense. This statement also includes a line after net operating income of less: replacement reserves which is *not* an expense but the amount invested for replacement of furnishings, fixtures, and equipment by the hotel entity.

The discussion in the second edition does not address income statements for external and internal users, but the references on the two income statement forms (short form and long form) are to 22 schedules; thus these are for management's use.

| Exhibit 4 10th Edition SUMMARY OPERATING STATEMENT | | | | | | | | | | | | |
|--|----------------|---|-----------|---|------------|---|--------------|---|-----------|---|------------|---|
| | CURRENT PERIOD | | | | | | YEAR-TO-DATE | | | | | |
| | ACTUAL | | FORE-CAST | | PRIOR YEAR | | ACTUAL | | FORE-CAST | | PRIOR YEAR | |
| | \$ | % | \$ | % | \$ | % | \$ | % | \$ | % | \$ | % |
| REVENUE | | | | | | | | | | | | |
| Rooms | | | | | | | | | | | | |
| Food and Beverage | | | | | | | | | | | | |
| Other Operated Departments | | | | | | | | | | | | |
| Rentals and Other Income | | | | | | | | | | | | |
| Total Revenue | | | | | | | | | | | | |
| DEPARTMENTAL EXPENSES | | | | | | | | | | | | |
| Rooms | | | | | | | | | | | | |
| Food and Beverage | | | | | | | | | | | | |
| Other Operated Departments | | | | | | | | | | | | |
| Total Departmental Expenses | | | | | | | | | | | | |
| TOTAL DEPARTMENTAL INCOME | | | | | | | | | | | | |
| UNDISTRIBUTED OPERATING EXPENSES | | | | | | | | | | | | |
| Administrative and General | | | | | | | | | | | | |
| Sales and Marketing | | | | | | | | | | | | |
| Property Operation & Maintenance Utilities | | | | | | | | | | | | |
| Total Undistributed Expenses | | | | | | | | | | | | |
| GROSS OPERATING PROFIT | | | | | | | | | | | | |
| MANAGEMENT FEES | | | | | | | | | | | | |
| INCOME BEFORE FIXED CHARGES | | | | | | | | | | | | |
| FIXED CHARGES | | | | | | | | | | | | |
| Rent | | | | | | | | | | | | |
| Property and Other Taxes | | | | | | | | | | | | |
| Insurance | | | | | | | | | | | | |
| Total Fixed Charges | | | | | | | | | | | | |
| NET OPERATING INCOME | | | | | | | | | | | | |
| LESS: REPLACEMENT RESERVES | | | | | | | | | | | | |
| ADJUSTED NET OPERATING INCOME | | | | | | | | | | | | |

In Exhibit 5, the note at the bottom references several additional columns that could be used. Some of these additional columnar forms are shown in Exhibit 7.

In the 10th edition, the statement showing the operating results is generally

referred to as the income statement, whereas, in the 2nd edition, it was the profit and loss statement. The statements in the 2nd edition referenced additional schedules, and these schedules are presented and explained in that edition. Similar supplementary schedules are

included and explained but not referenced on the form of the summary operating statement (Exhibit 4).

The long form of the General Profit and Loss Statement (2nd edition) does not allow for comparisons to prior periods or a forecast but only the current accounting period is shown in considerable detail.

A few comparisons are made between Exhibits 4 and 6 as follows:

- No references were made on any exhibits or on columnar forms to a forecast or budget in the 1933 edition, whereas Exhibit 4 (10th edition) clearly shows a forecast for current period and year-to-date.
- Further, only dollar amounts are suggested in the 2nd edition statements although the 10th edition calls for both dollar amounts *and* percentages according to Exhibit 4.
- The 1933 edition shows many operated departments on the face of the statement such as rooms, food and beverages, cigar stand, news stand, candy and soda shop, telephone and valet, to mention a few. The 10th edition suggests rooms, food and beverage, and combining other operated departments together.
- The deductions from income in the 2nd edition are referred to as undistributed operating expenses in the 10th. The descriptions are different in the two editions; for example, heat, light, and power (2nd edition) is utilities (10th edition).
- Store rentals in the 2nd edition shown just prior to gross operating profit (GOP) are included in rentals and other near the top of the statement in the 10th edition.
- Profit available for interest and depreciation (2nd edition) is net operating income (10th edition).
- The differences below the net operating income are due to the different uses of this statement rather than real changes as noted before. Today, an income statement for a hotel prepared for a hotel not operated by a management company would be like the 2nd edition format, showing depreciation and interest expenses. The bottom line would generally be called net income in the 10th edition whereas the 2nd edition suggested net profit.

**Exhibit 5
2nd Edition
SUMMARY OF PROFIT AND LOSS**

| | | | Exhibit B |
|---|----------|------|------------------|
| (Short Form) | | | Current Period |
| ROOMS DEPARTMENT | | | \$ _____ |
| Rooms Sales | | | |
| Rooms Expenses | | | |
| Salaries and Wages | | | \$ _____ |
| Other Rooms Expenses | | | _____ |
| Total Rooms Expenses | | | \$ _____ |
| Rooms Department Profit | Schedule | B-1 | \$ _____ |
| | " | | |
| OTHER OPERATED DEPARTMENTS | | | |
| Food and Beverages | " | B-2 | |
| Cigar Stand | " | B-3 | |
| News Stand | " | B-4 | |
| Candy and Soda Shop | " | B-5 | |
| Telephone | " | B-6 | |
| Valet | " | B-7 | |
| Check Rooms and Wash Rooms | " | B-8 | |
| Porters | " | B-9 | |
| Barber Shop | " | B-10 | |
| Beauty Parlor | " | B-11 | |
| Baths | " | B-12 | |
| Florist | " | B-13 | |
| Guests' Laundry | " | B-14 | |
| Total Other Operated Departments Profits | | | \$ _____ |
| TOTAL OPERATED DEPARTMENTS PROFITS | | | \$ _____ |
| OTHER INCOME | " | B-15 | _____ |
| GROSS OPERATING INCOME | | | \$ _____ |
| DEDUCTIONS FROM INCOME | | | |
| Administrative and General Expenses | " | B-16 | \$ _____ |
| Advertising and Business Promotion | " | B-17 | |
| Purchased | | | |
| Trade | | | |
| Heat, Light and Power | " | B-18 | |
| Repairs and Maintenance | " | B-19 | |
| Total Deductions | | | \$ _____ |
| HOUSE PROFIT | | | \$ _____ |
| STORE RENTALS | " | B-20 | _____ |
| GROSS OPERATING PROFIT | | | \$ _____ |
| RENT, TAXES, AND INSURANCE | " | B-21 | _____ |
| PROFIT AVAILABLE FOR INTEREST AND DEPRECIATION | | | \$ _____ |
| INTEREST | " | B-21 | _____ |
| PROFIT BEFORE DEPRECIATION | | | \$ _____ |
| DEPRECIATION AND EXPENSE AMORTIZATION | " | B-21 | _____ |
| NET OPERATING PROFIT (OR LOSS) FOR PERIOD | | | \$ _____ |
| OTHER ADDITIONS OR DEDUCTIONS | " | B-22 | _____ |
| NET PROFIT (OR LOSS) FOR PERIOD-TO SURPLUS EXHIBIT A | | | \$ _____ |

NOTE: Various arrangements of additional columns for comparisons and percentages are illustrated in Exhibit 7.

**Exhibit 6
2nd Edition**

GENERAL PROFIT AND LOSS STATEMENT

Exhibit B

(Long Form)

OPERATED DEPARTMENTS

| | | |
|----------------------------|----------|------|
| Rooms | Schedule | B-1 |
| Food and Beverages | " | B-2 |
| Cigar Stand | " | B-3 |
| News Stand | " | B-4 |
| Candy and Soda Shop | " | B-5 |
| Telephone | " | B-6 |
| Valet | " | B-7 |
| Check Rooms and Wash Rooms | " | B-8 |
| Porters | " | B-9 |
| Barber Shop | " | B-10 |
| Beauty Parlor | " | B-11 |
| Baths | " | B-12 |
| Florist | " | B-13 |
| Guests' Laundry | " | B-14 |

Total Operated Departments

OTHER INCOME

" B-15

GROSS OPERATING INCOME

DEDUCTIONS FROM INCOME

| | | |
|-------------------------------------|---|------|
| Administrative and General Expenses | " | B-16 |
| Advertising and Business Promotion | " | B-17 |
| Purchased | | |
| Trade | | |
| Heat, Light and Power | " | B-18 |
| Repairs and Maintenance | " | B-19 |

Total Deductions

TOTAL HOUSE INCOME, EXPENSE AND PROFIT

STORE RENTALS

" B-20

GROSS OPERATING PROFIT

RENT, TAXES, AND INSURANCE

" B-21

PROFIT AVAILABLE FOR INTEREST AND DEPRECIATION INTEREST

" B-21

PROFIT BEFORE DEPRECIATION

DEPRECIATION AND EXPENSE AMORTIZATION

" B-21

NET OPERATING PROFIT (OR LOSS) FOR PERIOD

OTHER ADDITIONS OR DEDUCTIONS

" B-22

NET PROFIT (OR LOSS) FOR PERIOD-TO SURPLUS EXHIBIT A

Exhibit 6
2nd Edition

GENERAL PROFIT OR LOSS STATEMENT

Exhibit B

(Long Form)

CURRENT PERIOD

| | | | | | |
|-----------|---------------|--------------------|----------------|----------------|----------------|
| Net Sales | Cost of Sales | Salaries and Wages | Other Expenses | Total Expenses | Profit or Loss |
| \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |

| | | | | | |
|----------|----------|----------|----------|----------|----------|
| _____ | _____ | _____ | _____ | _____ | _____ |
| \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |

| | | | | | |
|----------|--|--|--|--|----------|
| _____ | | | | | _____ |
| \$ _____ | | | | | \$ _____ |

| | |
|----|----|
| \$ | \$ |
| \$ | \$ |

| | | |
|----------|----------|----------|
| \$ | \$ | \$ |
| \$ _____ | \$ _____ | \$ _____ |
| \$ _____ | \$ _____ | \$ _____ |
| \$ _____ | \$ _____ | \$ _____ |

| | | | | | |
|----------|----------|----------|----------|----------|----------|
| \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
|----------|----------|----------|----------|----------|----------|

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

| Exhibit 7 2nd Edition | | | | | | | |
|----------------------------|--------------------|-----------------|------------------------------|------------------------|--|-----------------|------------------------------|
| SPECIMEN OF COLUMNAR FORMS | | | | | | | |
| MONTH OF MAY 1933 | | 1932 | <i>INCREASE DECREASE</i> | YEAR-TO-DATE 1933 | | 1932 | <i>INCREASE DECREASE</i> |
| AMOUNT MAY 1933 | | MAY 1932 | <i>INCREASE DECREASE</i> | PERCENTAGE MAY 1933 | | MAY 1932 | <i>INCREASE DECREASE</i> |
| AMOUNT MAY 1933 | | APRIL 1933 | MAY 1932 | PERCENTAGE MAY 1933 | | APRIL 1933 | MAY 1932 |
| MAY 1933 | AMOUNT MAY 1932 | 1933 TO-DATE | 1932 TO-DATE | PERCENTAGE MAY 1933 | | 1933 TO-DATE | 1932 TO-DATE |

SUMMARY

The *Uniform System of Accounts for Hotels*, first written in 1926, has been revised every ten or so years; the current edition (the 10th revised edition) was published in 2006. The 11th revised edition is scheduled to be published late this year (2014).

All editions have included the basic financial statements. The balance sheet and income statement have been included in every edition. Other statements, such as the statement of changes in financial position and the statement of cash flows have been included when relevant.

The major purpose of the *USALI* is to provide guidance to management for preparing financial statements for internal purposes. Formats of balance sheets and income statements useful for external purposes have also been provided in recent editions.

An extensive expense dictionary has been provided for the 9th and 10th editions. This serves as a useful tool for classifying expenditures.

Over the decades, the terminology has changed. In early editions, the income statement was referred to as the profit and loss statement. The bottom line of this statement was called net profit whereas in

recent editions it has been referred to as net income. The cigar stand was listed an operated department as part of the income statement through the 6th edition but not thereafter.

Without question, the *USALI* will continue to evolve to meet the needs of management. It is useful not only for management but is often referred to in management contracts as the basis for the accounting system of managed hotels. Further, it is part of the accounting courses of virtually all hospitality curriculums. Change is coming with the scheduled publication of the 11th revised edition in the summer of 2014.

AUTHOR NOTES

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