



Glossary

Accounting Concepts—A general understanding of the bookkeeping methods and financial transactions of a business.

Accounts Payable—Products or services received by a company but not paid for that are due within one year.

Accounts Receivable—What the company is owed for providing products and services to customers. Revenues recorded but uncollected. The process of billing and collecting accounts settled after the guest or company has checked out of the hotel.

Allocations—The portion of an expense charged to a specific hotel for services received in connection with expenses incurred at the corporate level on behalf of all the hotels or restaurants in the company.

Annual Operating Budget—The formal business and financial plan for a business for one year.

Consolidated Hotel Budget—The summary budget for the entire hotel including revenues, expenses, and profits.

Department Budget—The specific and detailed budget for an individual department that provides all the financial specifics for revenues, expenses, and profits.

Asset (Kiyosaki)—Puts money in your pocket.

Assets—The resources owned by a company that are used in the production of products and services by that company.

Current—Assets that are used or consumed during a one-year time period.

Long Term—Assets with a useful life of longer than one year.

Assistant Controller—A manager in the accounting office that reports to the Director of Finance and oversees specific functions in the accounting office—either income operations or accounts receivable—to confirm or verify the accuracy of operating and financial information.

Attest—To confirm or verify the accuracy of operating and financial information.

Balance Sheet—The financial statement that measures the value or net worth of a business as of a specific date. Also called the Asset and Liability statement (A&L).

Board of Directors—The group that is responsible for overseeing all operational aspects of a company. The Chief Executive Officer (CEO) of a company reports to the Board of Directors and is also a member of the board.

Booking Pace—The current rate at which reservations are being received for a specific Day of Arrival (DOA). The booking pace is compared to historical averages to determine if demand is stronger or weaker than historical averages.

Brand—The lodging term that identifies different types of hospitality properties that serve specific hospitality market segments.

Budget—The formal business and financial plan for a business for one year.

Capital Expenditure Budget—The formal budget that identifies the needs for replacing the long-term assets of the business, for renovating the business, and for expanding the business.

Capitalization—The source and methods of raising money to invest in and start a business.

Cash—Funds that are in the cash account and available for use in daily business operations.

Certified Public Accountant—An independent accounting firm responsible for examining and verifying the correctness and accuracy of a company's financial information. It issues an audit opinion stating that the company meets or does not meet established reporting and accounting guidelines.

Change—The difference between two numbers.

Classification of Cash Flow—Operating activities, financial activities, and investment activities.

Comp Unit—Stores, units, hotels, or restaurants in a company that have been operating for more than two years.

Company Contribution—The dollar amount that a company contributes to an employee's retirement account.

Comparison—To examine in order to note the likeness or difference.

Competitive Set—A group of five or more properties selected by individual hotel management. A competitive set enables hotel managers to compare property performance with direct competition.

Concept—The restaurant term that identifies different types of restaurant operations that provide specific dining experiences and serve specific market segments.

- Construction Budget**—The budget that identifies all the costs involved to design, construct and build a hotel or restaurant.
- Corporate Accounting Office**—A central location that provides accounting support and services for individual hotels or restaurants operated by the company.
- Cost Management Index (CMI)**—The formula that identifies what level of expenses and profits are expected given incremental changes in revenues. Includes flow thru and retention formulas and guidelines.
- Deductions from Income**—The same as expense centers. The direct expenses of staff departments that support the operating departments of a hotel in providing products and services to customers.
- Department Head**—A manager who is directly responsible for a specific hotel department. Department Heads report to an Executive Committee Member and have line managers and supervisors reporting to them.
- Department P&L**—Profit and Loss Statement for one specific department that includes all revenue and expenses in detail that are involved in operating that department.
- Department Profits**—The dollar amounts remaining in Revenue Centers/Profit Centers after the department recognizes all revenues and pays all expenses associated with operating that department for a specific time period.
- Direct Report**—The managers and positions that report directly to a senior manager.
- Director of Finance**—The Executive Committee Member directly responsible for all accounting operations in a hotel.
- Division**—The manufacturing term that identifies the different types of products produced by a company including the markets that the company serves.
- Earnings**—Money that is produced from an asset in the form of dividends or interest.
- Equity**—The difference between an individual's assets and liabilities. The ownership part of a company or the amount invested by owners or shareholders.
- Escrow**—An account established to collect money to be used at a later date. Same as reserve account.
- Executive Committee**—The members of senior management that report directly to the General Manager and are responsible for specific hotel departments. Department Heads report to an Executive Committee Member.
- Expense Categories**—The four major categories for collecting and reporting department expenses: cost of sales, wages, benefits, and direct operating expenses.

Expense Center—A staff department that supports the hotel operating departments: Sales and Marketing, Engineering, Human Resources, and Accounting. It has no revenues or cost of sales—just wages, benefits, and direct operating expenses.

Financial Analysis—The separation of a business's management of monetary affairs into parts for individual study.

Financial Literacy (Kiyosaki)—The ability to understand numbers.

Financial Management Cycle—The process of producing, preparing, analyzing, and applying numbers to business operations.

Fiscal Year—The financial year for reporting a company's financial results. It can be the same as or different from the calendar year ending December 31.

Fixed Expenses—Direct expenses of a hotel that are constant and do not change regardless of the volume and level of business. Secretaries in the sales department and accounting clerks in the accounting department are examples of fixed positions.

Flow Thru—Measures how much profit goes up or down as a percentage of the change in revenue.

Forecast—A financial and operational report that updates the budget.

Weekly Forecast—The forecast for the next week that includes revenues and expenses, with a focus on wage costs, and provides the details by day and shift for providing the actual products and services expected by guests.

Monthly Forecast—A forecast of revenues for the next month, including average rates and volumes for specific market segments, departments, or meal periods.

Quarterly Forecast—A forecast that projects revenues over a longer time period and is completed by adding the forecasts for each month of the quarter.

Fundamental Accounting Equation—Assets = Liabilities + Owner Equity.

General Manager—The senior manager in the hotel who is responsible for all hotel operations. This person is responsible for all positions and activities.

Historical Average—Average information based on four or five years of hotel operations.

Horizontal Headings—The headings across the top of a P&L that identify the type, time, and amount of financial information.

House Profit—The profit amount that includes all revenues and expenses controlled by hotel management and measures management's ability to operate the hotel profitably. It is calculated by subtracting Total Expense Center Costs from Total Department Profits.

- Income Accounting**—The section of the accounting office that is involved with recording income, paying expenses, and assisting other hotel managers.
- Income Statement**—Measures the operating success and profitability of a business.
- Incremental**—An increase, something gained or added. In financial analysis it describes additional revenues, expenses, or profits beyond what was expected.
- Independent Audit Report**—The section of the Corporate Annual Report that contains the audit opinion presented by an independent and certified public accounting company.
- Inventory**—Assets in the form of materials and supplies that the company has purchased but not yet used in the production of products and services.
- Investment Factors**—Another term for hotel fixed expenses that are constant regardless of the volume levels of the hotel and include expenses such as bank loans, lease payments, certificates and licenses, depreciation, and insurance expenses.
- Last Year**—The official financial performance of the previous year or month.
- Liabilities**—Obligations owed by a company.
- Current**—Obligations that are due within one year.
- Long Term**—Obligations that are due at a date beyond one year.
- Liability (Kiyosaki)**—Takes money out of your pocket.
- Line Manager**—The entry-level management position that has face-to-face interaction with the customers and is responsible for operating the different shifts of a hotel department.
- Liquidity**—The amount of cash or cash equivalents that a business has to cover its daily operating expenses.
- Management Responsibility Report**—The section of the Corporate Annual Report that contains the senior management opinion that the operating and financial information contained in the annual report is accurate and correctly portrays the financial condition of the company.
- Market Capitalization**—A measure of the value of a company that includes the number of individual and institutional investors times the current stock price of the company.
- Market Segment**—Customer groups defined by expectations, preferences, buying patterns, and behavior patterns.
- Market Share**—Total room supply, room demand, or room revenue as a percentage of some larger group.

Net Worth—What an individual has in investments that are unencumbered with corresponding liabilities or debt. Similar to equity.

Notes to Consolidated Financial Statements—The detailed financial explanation of accounting and financial information contained in the annual report.

Operating Department—A hotel department that records revenues and produces a profit by providing products and services to the guests.

Organization Chart—Describes the reporting relationships, responsibilities, and operating activities for a department or business unit.

Owner Equity—The amount invested in a company by owners or investors including Paid-in Capital, Common Stock, and Retained Earnings.

Percentages—A share or proportion in relation to the whole; part.

Change—Measures the difference between two numbers in percentage.

Cost—Measures the dollar cost or expense as a part of total applicable revenue.

Mix—Measures dollars or units as a part of a whole.

Profit—Measures the dollar profit as a part of total applicable revenues.

Point of Sale System (POS)—The equipment that records the customer transaction including identifying the method of payment and reporting the type of transaction.

Preopening Budget—The budget established to guide a new business as it prepares to open for business.

Principal—The dollar amount of money that is in an account that is earning interest or dividends and that has the potential to appreciate or increase as well as decrease.

Profit—The amount of revenues left over after all expenses have been paid.

Profit and Loss (P&L) Statement—Measure the operating success and profitability of a business over a specific period of time.

Profit after Taxes—The amount of profit remaining after corporate taxes are paid that is divided among owners, management companies, and any other entities that have an interest in the hotel.

Profit before Taxes—The same as net house profit. The profit amount remaining after all hotel operating expenses have been paid.

Profit Center—An operating department that produces revenues that result in a profit by providing products and services to customers. It includes revenues, expenses, and profits and is a term that is interchangeable with Revenue Center.

Pro Forma—The projected first year of operations prepared before actual operations begin.

Property, Plant, and Equipment (PP&E)—The term used to identify the long-term investments in fixed assets that will serve the business for more than one year.

Public Relations—Information and new releases prepared by the company.

Rate—The part of the revenue equation that provides the dollar price that guests or customers are willing to pay to secure a room or meal. Typically, average room rates and average guest checks are used to calculate total room or restaurant revenues. Rates also provide the hourly rate of pay for wage forecasting and scheduling.

Rate Structure—A list of the different room rates offered by a hotel.

Ratios—Formulas that are used to calculate appropriate expense levels in relation to different revenue levels.

Reserve—An account established to collect money to be used at a later date. Same as an escrow account.

Retention—The same definition as Flow Thru.

Revenue—The monetary amount that customers pay to receive a product or service. It can be in the form of cash, checks, credit cards, or electronic transfer.

Revenue Center—An operating product that produces revenues by providing products and services directly to customers. It includes revenues, expenses, and profits.

REVPAR—Revenue per Available Room. Total room revenue divided by total rooms available or average room rate times occupancy percentage. It combines room rate and room occupancy information to measure a hotel's ability to maximize room revenues.

Secondary Competition—A group of hotels that offer competition but provide different rates, services, and amenities and therefore are not considered direct or primary competition.

Securities and Exchange Commission (SEC)—The government agency responsible for regulating the public stock exchanges (New York Stock Exchange, NASDAQ, and several other exchanges).

Selling Strategy—The actions and decisions of the senior management of a hotel in opening and closing room rates, arrival dates, and length of stay to maximize total hotel room revenues.

Source and Use of Funds Statement—A part of the Statement of Cash Flow that shows how cash is created (source) and disbursed (used) among the different accounts on the balance sheet.

Staff Department—A hotel department that provides assistance and support to the hotel operating departments.

STAR Market Report—A monthly report published by Smith Travel Research that provides a hotel with rate, occupancy, and REVPAR information for a specific hotel and its competitive set.

Statement of Cash Flow—Measures the liquidity and identifies the flow of cash in a company.

Titles—The top portion of a financial statement that tells the name of the company, type of report, and time period covered.

Total Department Profits—The summation of the individual department profits of a hotel. Provides the amount of profit resulting from the operating departments of a hotel.

Trend—A general inclination or tendency.

Variable Expenses—Expenses that fluctuate or change directly with the change in business levels and volumes. Housekeepers, bellhops, and servers are examples of variable wage positions.

Variation—Something slightly different from another of the same type. In financial analysis, variation is the difference between a planned number and an actual number.

Vertical Headings—The names of the departments, categories, and accounts that are on the side or center of a P&L that identify the type and amount of financial information recorded on the P&L.

Volume—The part of the revenue equation that provides the quantity of products or services consumed by the guests. Typically, rooms sold or occupied and customer counts are the volume variables used to calculate total room or restaurant revenues. Volume also determines labor hours required for wage forecasting and scheduling.

Working Capital—The amount of money utilized in the daily operations of a business, including using the assets and liabilities as well as cash to produce a product or service.

Yield Management—The computer reservation tracking system that combines current reservation booking information with historical reservation booking information. It is used to implement selling strategies that will maximize total hotel room revenue.