

# TO THE INSTRUCTOR

It is just as important for a hospitality manager to understand and manage financial resources as it is to manage human resources. Although accounting is not a simple subject, it is a much needed language in running any type of successful business. There is a reason why accounting is often referred to as the *language of business*. As instructors, it is important for us not only to teach this business language to our students but also to impart its importance in building and maintaining a healthy business. ***Hospitality Financial Accounting, Second Edition***, presents financial accounting through a foundation of solid theories and practical step-by-step hospitality examples. We want to simulate a learning environment by providing examples in all facets of the hospitality industry that the students can identify with, relate to, and use to understand the impact of financial decisions on the business.

## STUDENTS ARE THE KEY

Our goal for this second edition of ***Hospitality Financial Accounting*** is to make it an even more useful and effective text. Information was solicited from professors and students who have used the text, as well as practitioners in the industry. All effort has been made to thoroughly illustrate concepts in every chapter to reinforce the principles being discussed. Additionally, extensive examples are given to assist students in understanding the concepts; and demonstration problems with answers are provided for students to check their own level of comprehension, applications, and knowledge transfers.

It is important in working with hospitality students to always bear in mind that each student needs to be in the driver's seat. The job of the professor is not to simply "profess" but to facilitate, to act as the conduit of knowledge, to present ideas and principles, and then to solicit students' viewpoints to either confirm if correct or to lead students to the correct solution if they have made a mistake. It is important for all students to be exposed to all facets of this wonderful industry and to learn to speak the language of business.

## ORGANIZATION OF THE SECOND EDITION

Students and professors who used the first edition of ***Hospitality Financial Accounting*** commented very positively on the design and layout of the materials. There is always room for improvement; and based on feedback from the users of this text, there is now a dedicated chapter on financial statement analysis. The text remains organized so that the student learns the basics of financial accounting first. Students are taken through the entire accounting cycle, but now they put that information together to analyze a set of financial statements. In addition, it is important for students to know how to perform some basic analysis to determine the financial health of a business.

***Hospitality Financial Accounting, Second Edition***, also presents financial accounting in three major sections: the

accounting cycle, financial statements and analyses, and the use of financial accounting data. The first five chapters focus on understanding an accounting cycle, from analyzing transactions to recording, posting, trial balance, and adjustments, all the way to closing and postclosing trial balance. The second section focuses on the makeup and analyses of financial statements. These chapters are placed right after the accounting cycle in the first section in order to take accounting to the next logical step. The final section of the text stresses the various daily issues faced by the hospitality owner or operator, from how one should structure one's company to start a business, to cash and inventory controls, to paying bills and collecting receivables in a timely fashion.

The information on subsidiary ledgers and special journals is now presented in an appendix to the book. It is important for students to know about such journals in order to understand and use computer software to assist in their accounting work, as well as to understand the workings behind the scene. Most important, if a computerized system goes down, the knowledge base is there to recreate the transactions by following the paper trail.

## HIGHLIGHTS OF THE NEW EDITION

New cases on ethics are included, and new Accounting in Action boxes from hospitality and online companies are presented as short vignettes to support the concepts that are being discussed.

The specimen financial statements for PepsiCo, Inc., have been chosen for this second edition of ***Hospitality Financial Accounting*** to reinforce the idea that the hospitality industry is not strictly restaurants and hotels. Often we narrow the focus of hospitality to concentrate only on hotels and restaurants. Yet there are also country clubs, city clubs, yacht clubs, and spas. There are resorts, travel agencies, cruise lines, and airlines. There are the Expedias and Hotel.coms of the world. Third-party bookings are everywhere and available around the clock. And then there is this "other" side—the purveyors and vendors from which traditional hospitality firms purchase many of their goods and services in order to resell and provide to their final consumers. PepsiCo provides many products for the hospitality industry. In fact, many hospitality graduates work for purveyors such as PepsiCo, Sysco Foods, Coca-Cola, Frito Lay, and many more. Without purveyors to supply the food and beverage, bread and dry goods, and office equipment and furniture, a hotel or restaurant will have nothing to offer its customers. Therefore, we decided it would be practical to introduce a multinational and multidimensional company such as PepsiCo as the feature company of this text.

## CHAPTER 1 *Hospitality Accounting in Action*

- New Feature Story on the importance of accurate and ethical financial accounting in today's business world
- New international insight on Chinese accounting policies
- New insight feature on e-business

- Accounting cycle now introduced in this chapter
- New discussion of accounting and financial management in hotels, restaurants, clubs, and spas
- Detailed coverage on the Uniform Systems of Accounts
- Updated and revised end-of-chapter problems

### **CHAPTER 2 Accounting Principles**

- New Feature Story on the matching principle and how it relates to stockholders' wealth
- New business insight on a gaming casino
- Step-by-step illustration of an expanded accounting equation
- Updated and revised end-of-chapter problems

### **CHAPTER 3 The Recording Process**

- Feature Story on the real world of accounting
- Additional reinforcement of the accounting cycle
- Updated and revised end-of-chapter problems

### **CHAPTER 4 Adjusting the Accounts**

- Feature Story on why adjustments are crucial in providing accurate accounting information
- New insight feature on exceptionally large outlays by companies on advertising
- New ethics insight on earnings reporting
- Updated and revised end-of-chapter problems

### **CHAPTER 5 Completion of the Accounting Cycle**

- Updated Feature Story on Rhino's Foods, Inc., about educating employees on the financial health of the company as a motivational tool
- Transparency inlays illustrating the information flow of a worksheet
- Updated and revised end-of-chapter problems

### **CHAPTER 6 Financial Statements**

- Feature Story on how adequate cash flow can make or break a business
- New illustration on the relationship between the income statement and the balance sheet
- New chart of net income and cash from operations from five restaurants and five hotel companies
- Updated and revised end-of-chapter problems

### **CHAPTER 7 Financial Statement Analysis**

- A new chapter to the Second Edition, featuring Brinker International as an illustration of financial ratios
- An example of a small independent restaurant provided for statement analyses and ratio comparisons
- A summary of ratios table included to group important concepts together
- The data of Landry's Restaurants, Inc., used as a demonstration problem

### **CHAPTER 8 Accounting for Merchandising Operations in Hospitality**

- New Feature Story on e-commerce
- New insight feature on sales returns
- New ethics insight in the wake of Enron
- Updated and revised end-of-chapter problems

### **CHAPTER 9 Inventories and Cost of Goods Calculation**

- New Feature Story on inventory valuation
- Updated and detailed examples and calculations illustrating all methods of inventory valuation
- Extensive discussion on the effects of errors in the inventory valuation process
- Updated and revised end-of-chapter problems

### **CHAPTER 10 Internal Control and Cash**

- Feature Story on cash control in a coffee shop
- New insight feature on fraud
- New insight feature on computer fraud
- New insight feature on results reported by the Association of Certified Fraud Examiners
- Updated and revised end-of-chapter problems

### **CHAPTER 11 Payroll**

- New Feature Story on managing payroll
- New regulations in the Fair Labor Standards Act, including Web sites
- Now includes Sample Form 8027 Employer's Annual Information Return of Tip Income and Allocated Tips
- Now includes Sample Form 4070 Employee's Report of Tips to Employer
- Illustration of eight percent tip allocation calculation
- Updated and revised end-of-chapter problems

### **CHAPTER 12 Accounting for Receivables and Payables**

- New Feature Story on credit-card financing
- New insight feature on guests and city ledgers
- New insight feature on credit-card usage by consumers
- New insight feature on the interest rate on notes
- New insight feature on hotels and notes receivables
- Updated and revised end-of-chapter problems

### **CHAPTER 13 Long-Term and Intangible Assets**

- New Feature Story on the building of luxury spa Trellis at the Houstonian
- New insight feature of depreciation practices
- New illustrations of depreciation calculations
- New insight feature of Internet use in the hospitality industry and domain name disputes
- Updated and revised end-of-chapter problems

### **CHAPTER 14 Sole Proprietorships, Partnerships, and Corporations**

- Updated Feature Story on McDonald's growth and its continued success in the quick-service industry

### **APPENDIX A Specimen Financial Statements: PepsiCo, Inc.**

- PepsiCo financial statements are featured in this new edition.

### **APPENDIX B Subsidiary Ledgers and Special Journals**

- The information on subsidiary ledgers and special journals is now an appendix to this text.

## PEDAGOGICAL FRAMEWORK

*Hospitality Financial Accounting, Second Edition*, provides tools to help students learn accounting concepts and procedures and apply them to the real world. It places increased emphasis on the processes students undergo as they learn.

### Learning How to Use the Text

- A **Student Owner's Manual** begins the text to help students understand the value of the text's learning aids and how to use them.
- Chapter 1 contains **notes** that explain each learning aid the first time it appears.
- Finally, **The Navigator** pulls all the learning aids together into a learning system designed to guide students through each chapter and help them succeed in learning the material. It consists of (1) a checklist at the beginning of the chapter, which outlines text features and study skills they will need, and (2) a series of check boxes that prompt students to use the learning aids in the chapter and set priorities as they study. At the end of the chapter, students are reminded to return to The Navigator to check off their completed work. An example of The Navigator is at the right.

### Understanding the Context

- **Concepts for Review**, listed at the beginning of each chapter, identify concepts that will apply in the chapter to come. In this way, students see the relevance to the current chapter of concepts covered earlier.
- The **Feature Story** helps students picture how the chapter topic relates to the real world of accounting and business. It serves as a running example in the chapter and is the topic of a series of review questions called **A Look Back at Our Feature Story**, toward the end of the chapter.
- **Study Objectives** form a learning framework throughout the text, with each objective repeated in the margin at the appropriate place in the main body of the chapter and again in the **Summary**. Further, end-of-chapter assignment materials are linked to the Study Objectives.
- A chapter **Preview** links the chapter-opening Feature Story to the major topics of the chapter. First, an introductory paragraph explains how the Feature Story relates to the topic to be discussed; then, a graphic outline of the chapter provides a "visual road map" useful for seeing the big picture, as well as the connections between subtopics.

### Learning the Material

- **Financial statements** appear regularly throughout the book. Often, numbers or categories are highlighted in colored type to draw attention to key information.
- **Key ratios**, using data from **PepsiCo, Inc., 2006 Annual Report**, are examined in appropriate spots throughout the text. Integration of ratios enables students to see in a single presentation two important pieces of information about financial data: how they are presented in financial

## THE NAVIGATOR ✓

- Understand *Concepts for Review*
- Read *Feature Story*
- Scan *Study Objectives*
- Read *Preview*
- Read text and answer *Before You Go On*  
p. 212  p. 222  p. 223
- Work *Demonstration Problem*
- Review *Summary of Study Objectives*
- Complete *Assignments*

statements and how users of financial information analyze them.

- **The Accounting Equation** appears in the margin next to key journal entries throughout the text. This feature reinforces the students' understanding of the impacts of an accounting transaction on the financial statements.
- **Key terms** and concepts are printed in blue where they are first explained in the text and are defined again in the end-of-chapter glossary.
- **Helpful Hints** boxes help clarify concepts being discussed.
- **Accounting in Action (AIA)** boxes give students insight into how real companies use accounting in practice. The AIA boxes, some of which are highlighted with striking photographs, cover business, ethics, and international issues. Of particular interest are the **e-Business Insight** boxes reporting on how business technology is expanding the service provided by accountants.
- **Technology in Action** boxes show how users of accounting information use computers.
- **Color illustrations** visually reinforce important concepts of the text.
- **Infographics**, a special type of illustration, help students visualize and apply accounting concepts to the real world. They provide entertaining and memorable visual reminders of key concepts.
- Marginal **Alternative Terminology** notes present synonymous terms, since terminology may differ in the business world.
- **Before You Go On** sections occur at the end of each key topic and often consist of two parts:
  - \* **Review It** questions serve as a learning check by asking students to stop and answer questions about the material covered. **Review It** questions marked with the *Pepsi* icon (see right)



send students to find information in the PepsiCo 2006 Annual Report (excerpted in the Appendix at the end of the text). These exercises help cement students' understanding of how topics covered in the chapter are reported in real-world financial statements. Answers appear at the end of the chapter.

- \* A mini-demonstration problem, in a section called **Do It**, gives immediate practice of the material just covered and is keyed to homework exercises. An **Action Plan** lists the steps necessary to complete the task, and a **Solution** is provided to help students understand the reasoning involved in reaching an answer.
- \* The last **Before You Go On** exercise in the chapter takes students back for a critical look at the chapter-opening Feature Story.
- Marginal **International Notes** introduce international issues and problems in accounting.
- Marginal **Ethics Notes** help sensitize students to the real-world ethical dilemmas of accounting and business.

### Putting It Together

- **Demonstration Problems** give students the opportunity to refer to a detailed solution to a representative problem as they do homework assignments. **Action Plans** list strategies to assist students in understanding similar types of problems.
- The **Summary of Study Objectives** relates the study objectives to the key points of the chapter. It gives students another opportunity to review, as well as to see how all the key topics within the chapter are related.
- The **Glossary** defines all the key terms and concepts introduced in the chapter.

### Developing Skills through Practice

- **Exercises** build students' confidence and test their basic skills. Some take a little longer to complete and present more of a challenge. Several exercises stress the application of the concepts presented in the chapter. Each exercise is keyed to one or more study objective(s).

### Expanding and Applying Knowledge

One or two exercises in each chapter offer a wealth of resources to help instructors and students pull together the learning for the chapter. These exercises offer projects for those instructors who want to broaden the learning experience by bringing in more real-world decision-making and critical-thinking activities. The exercises are described below:

- A **Financial Reporting Problem** directs students to study various aspects of the financial statements in Pepsi's 2006 Annual Report, which is excerpted in the Appendix at the end of the text.
- **Exploring the Web** exercises guide students to Internet Web sites where they can find and analyze information relating to the chapter topic.

- The **Group Decision Case** helps build decision-making skills by analyzing accounting information in a less-structured situation. These cases require evaluation of a manager's decision or lead to a decision among alternative courses of action. As group activities, they promote teamwork.
- **Ethics Cases** describe typical ethical dilemmas and ask students to analyze situations, identify the stakeholders and the ethical issues involved, and decide on appropriate courses of action.

## SUPPLEMENTARY MATERIALS AND TEACHING AIDS

*Hospitality Financial Accounting, Second Edition*, features a full line of teaching and learning resources developed and revised to help you create a more dynamic and innovative learning environment.

Student success is a major theme of the supplements package. These resources—including print and Internet-based materials—also take an *active learning approach* to help build students' skills and analytical abilities.

- **Web site at [www.wiley.com/college](http://www.wiley.com/college).** Recognizing that the Internet is a valuable resource for students and instructors, we have developed a Web site at [www.wiley.com/college](http://www.wiley.com/college) to provide a variety of additional resources.

### Instructor's Resources

For the instructor, we have designed a support package to help you maximize your teaching effectiveness.

**Instructor's Manual.** The **Instructor's Manual** is a comprehensive resource guide designed to assist professors in preparing lectures and assignments, including sample syllabi for the hospitality financial accounting course; evaluating homework assignments; and preparing quizzes and exams. (Also available at [www.wiley.com/college](http://www.wiley.com/college).) Each chapter contains the following information:

- **Chapter Review and Lecture Outline:** Chapter reviews cover the significant topics and points contained in each chapter. Teaching tips and references to text materials are in the enhanced lecture outlines. Further, a twenty-minute quiz in the form of ten true/false and five multiple-choice questions (with solutions) is provided.
- **Solutions:** These are detailed solutions to all exercises in the textbook. Suggested answers to the questions found on the Web site are also included. Each chapter includes a table to identify the difficulty level and estimated completion time of each exercise.
- **Test Bank:** The test bank allows instructors to tailor examinations according to study objectives and content. Each chapter includes exercises as well as multiple-choice, matching, and true/false questions.

**PowerPoint Presentation Material.** The PowerPoint lecture aid contains a combination of key concepts, illustrations, and

problems from the textbook for use in the classroom. Easily customizable for classroom use, the presentations are designed according to the organization of the material in the textbook to reinforce hospitality financial accounting principles visually and graphically. (Available at [www.wiley.com/college](http://www.wiley.com/college).)

**Additional Exercises and Solutions.** Additional exercises similar to the end-of-chapter exercises are provided at [www.wiley.com/college](http://www.wiley.com/college). These exercises can be used for additional homework assignments or for quizzing and testing purposes. Solutions for these exercise are also available online.

**WebCT and Blackboard.** WebCT and Blackboard online courses are available for this text. Visit [www.wiley.com/college](http://www.wiley.com/college) and click on Technology Solutions for more information, or contact your Wiley representative.

### **Student Active Learning Aids**

In addition to innovative pedagogy included in the text, we offer a number of valuable learning aids for students. These are intended to enhance true understanding so that students will be able to apply hospitality financial accounting concepts.

**Working Papers.** **Working Papers** are accounting forms for all end-of-chapter exercises. A convenient resource for organizing and completing homework assignments, they demonstrate how

to correctly set up solution formats and are directly tied to textbook assignments.

**Excel Working Papers.** Available on CD-ROM, these Excel-formatted forms can be used for end-of-chapter exercises. The **Excel Working Papers** provide students with the option of printing forms and completing them manually or entering data electronically and then printing out a completed form. By entering data electronically, students can paste homework to a new file and e-mail the worksheet to their instructor.

**Self-Study Questions.** These online practice tests enable students to check their understanding of important concepts. Located at [www.wiley.com/college](http://www.wiley.com/college), the **self-study questions** are keyed to the study objectives; and students can go back and review sections of the chapter in which they find they need further work. The quizzes are graded to give students immediate feedback.

**Questions.** These questions, located at [www.wiley.com/college](http://www.wiley.com/college), provide a full online review of chapter content and help students prepare for class discussions and testing situations. Students answer the questions online; and then their work is e-mailed directly to their instructor. Instructors can find the answers to these questions in the Instructor's Manual and with the online instructor resources.