

CHAPTER 1

HOSPITALITY ACCOUNTING IN ACTION

CHAPTER STUDY OBJECTIVES SOLUTIONS TO EXERCISES

EXERCISE 1-1

- (a) $\$120,000 - \$50,000 = \$70,000$ (Stockholders' equity)
- (b) $\$45,000 + \$126,000 = \$171,000$ (Assets)
- (c) $\$100,000 - \$58,000 = \$42,000$ (Liabilities)

EXERCISE 1-2

- 1. $\$120,000 + \$325,000 = \$445,000$ (Total assets)
- 2. $\$360,000 - \$210,000 = \$150,000$ (Total liabilities)
- 3. $\$700,000 - 0.5(\$700,000) = \$350,000$ (Stockholders' equity)

EXERCISE 1-3

- 1. $(\$780,000 + \$125,000) - (\$400,000 - \$50,000) = \$455,000$ (Stockholders' equity)
- 2. $(\$400,000 + \$100,000) + (\$780,000 - \$400,000 - \$50,000) = \$830,000$ (Assets)
- 3. $(\$780,000 - \$90,000) - (\$780,000 - \$400,000 + \$130,000) = \$180,000$ (Liabilities)

EXERCISE 1-4

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; width: 10%;"><u> A </u></td> <td style="width: 10%;">(a)</td> <td style="width: 80%;">Food Inventory</td> </tr> <tr> <td style="text-align: center;"><u> R </u></td> <td>(b)</td> <td>Rooms Revenue</td> </tr> <tr> <td style="text-align: center;"><u> E </u></td> <td>(c)</td> <td>Salaries and Wages Expense</td> </tr> <tr> <td style="text-align: center;"><u> A </u></td> <td>(d)</td> <td>Property Management System</td> </tr> </table>	<u> A </u>	(a)	Food Inventory	<u> R </u>	(b)	Rooms Revenue	<u> E </u>	(c)	Salaries and Wages Expense	<u> A </u>	(d)	Property Management System	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; width: 10%;"><u> L </u></td> <td style="width: 10%;">(e)</td> <td style="width: 80%;">Taxes Payable</td> </tr> <tr> <td style="text-align: center;"><u> E </u></td> <td>(f)</td> <td>Rent Expense</td> </tr> <tr> <td style="text-align: center;"><u> R </u></td> <td>(g)</td> <td>Beverage Revenue</td> </tr> <tr> <td style="text-align: center;"><u> A </u></td> <td>(h)</td> <td>Cash</td> </tr> </table>	<u> L </u>	(e)	Taxes Payable	<u> E </u>	(f)	Rent Expense	<u> R </u>	(g)	Beverage Revenue	<u> A </u>	(h)	Cash
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EXERCISE 1-5

<u>Asset</u>	<u>Liability</u>	<u>Stockholders' Equity</u>
Cash	Accounts Payable	Insurance Expense
Accounts Receivable	Taxes Payable	Wages Expense
Food Inventory		
Kitchen Equipment		

EXERCISE 1-6

<u>3</u>	Posting	<u>7</u>	Financial Statements
<u>1</u>	Transaction Analysis	<u>8</u>	Closing Entries
<u>9</u>	Post Closing Trial Balance	<u>4</u>	Trial Balance
<u>6</u>	Adjusted Trial Balance	<u>2</u>	Journalizing
<u>5</u>	Adjustments		

EXERCISE 1-7

Financial Statements

EXERCISE 1-8

False
False
True

EXERCISE 1-9

True
False
True

EXERCISE 1-10

False
True
True

EXERCISE 1-11

- (a) 2006: \$29,930,000
2005: \$31,727,000
- (b) \$1,651,000
- (c) 2006: \$6,496,000
2005: \$5,971,000
- (d) 2004: \$29,261,000
2005: \$32,562,000
2006: \$35,137,000
- (e) $\$5,642,000 - \$4,078,000 = \$1,564,000$

EXCERSICE 1-12

- (a) The field is normally divided into three broad areas: auditing, financial/ tax, and management accounting.
- (b) The skills required in these areas:

People skills, sales skills, communication skills, analytical skills, ability to synthesize, creative ability, initiative, computer skills.
- (c) The skills required in these areas differ as follows:

	<u>Auditing</u>	<u>Financial and Tax</u>	<u>Management Accounting</u>
People skills	High	Medium	Medium
Sales skills	Medium	Medium	Low
Communication skills	High	Medium	High
Analytical skills	High	Very High	High
Ability to synthesize	High	Low	High
Creative ability	Medium	Medium	Medium
Initiative	High	Medium	Medium
Computer skills	High	High	Very High

- (d) Some key job functions in accounting:

Auditing: Work in audit involves checking accounting ledgers and financial statements within corporations and government. This work is becoming increasingly computerized and can rely on sophisticated random sampling methods. Audit is the bread-and-butter work of accounting. This work can involve significant travel and allows you to really understand how money is being made in the company that you are analyzing. It's great background!

Budget Analysis: Budget analysts are responsible for developing and managing an organization's financial plans. There are plentiful jobs in this area in government and

private industry. Besides quantitative skills many budget analyst jobs require good people skills because of negotiations involved in the work.

Financial: Financial accountants prepare financial statements based on general ledgers and participate in important financial decisions involving mergers and acquisitions, benefits/ERISA planning, and long-term financial projections. This work can be varied over time. One day you may be running spreadsheets. The next day you may be visiting a customer or supplier to set up a new account and discuss business. This work requires a good understanding of both accounting and finance.

Management Accounting: Management accountants work in companies and participate in decisions about capital budgeting and line of business analysis. Major functions include cost analysis, analysis of new contracts, and participation in efforts to control expenses efficiently. This work often involves the analysis of the structure of organizations. Is responsibility to spend money in a company at the right level of our organization? Are goals and objectives to control costs being communicated effectively? Historically, many management accountants have been derided as “bean counters.” This mentality has undergone major change as management accountants now often work side by side with marketing and finance to develop new business.

Tax: Tax accountants prepare corporate and personal income tax statements and formulate tax strategies involving issues such as financial choice, how to best treat a merger or acquisition, deferral of taxes, when to expense items and the like. This work requires a thorough understanding of economics and the tax code. Increasingly, large corporations are looking for persons with both an accounting and a legal background in tax. A person, for example, with a JD and a CPA would be especially desirable to many firms.

- (e) Junior Staff Accountant \$36-63,000