

# The Key Attributes of a Proper Hotel Financial Statement

Having a monthly financial statement for your hotel is the key to creating an effective management process inside your business. But, like many things in life, hotel financial statements are not all equal. To be effective your statement needs to be in shape, and it must have the proper features that allow you the insight you need to make better operating decisions in a timely manner.

That is what this is all about, defining what the modern-day standards are when it comes to designing and producing a good hotel financial statement.



## Monthly

First and foremost, you MUST produce your financial statement each month. If you are still doing it annually, I have an important question for you. How has the last two years been? How many sleepless nights have you had worrying and wondering what the score is for your business? If you think producing this thing each month is too expensive, you are, as they say – penny wise and pound foolish. Sorry – no way to sugar coat this one. BTW – it is not an expensive endeavor. It actually has an amazing ROI.

## Accrual Basis

You must use the accrual basis of accounting to produce your monthly statement. Using the alternate method – cash basis – is a complete waste of time. The accrual basis means we use the matching principle and that entails pairing ALL revenues and expenses each month so we can produce a meaningful comparison. Again, if someone tells you this is too complicated or you are too small – get a second opinion!

## On or Before the 5th Business Day

Producing the monthly financial statement any later than the fifth business day is unacceptable performance from your financial team. If they have one thousand reasons (excuses) why they cannot go faster, I am not surprised because I have used all of those same excuses in the past. There are methods and processes you can employ that will blow away those barriers to fast financial information.

## **Sally**

We all need to use the USALI (Sally) guide for producing our financials. It tells us how the statements need to be set up and equally as important – what goes where inside your departmentalized hotel financial statement. Do not let your pride and ego get in the way of doing this exactly like the rest of our industry does around the world. It does not matter where you think cable tv should be expensed, what matters is what the books says, and we always follow sally. Read more about Sally [here](#).

## **Departmental Profits and Costs + GOP**

Following Sally means we produce a financial statement with a room and, if applicable, F&B profit. Plus, if applicable, the minor operating departments' profit or loss. Add on top of this the non-operating departments all laid out so we can see what is slowing us down. Understanding the score in each area (department) of our hotel operation is the key to being able to measure our performance relative to our competition and peers. What is your rooms profit? Oh... You don't know? Get in the know.

## **Rooms Market Segmentation**

Recording the revenues and rooms occupied in each major segment, leisure, corporate and group, is the minimum acceptable production. Blow up leisure and add Internet merchant model, discounts and best available rate. Same with corporate. Add contract, government and volume. For groups look at adding associations, corporate and government. Make your segmentation sing your hotel's tune. Use the rooms occupied by segment to show you the average rates each segment produces and ultimately determine what is most profitable.

## **Cost Per on Expenses**

Using your hotel financial statement's features also means you can produce cost per room occupied and cost per food cover served. All you need to do is book the statistics in your GL and have your software do the rest. Know each month what your expenses and payroll are per room occupied and cover is mission critical operating information. A 100-room hotel operating at 70 percent sells 25,000 rooms. Figuring out how to reduce your CPRO is the name of the game.

## **EFTEs**

Capturing and recording your hours worked in each department according to Sally is easy. Heck, you already have it at your fingertips. Just look at your payroll records or time clocks. Putting the information into your general ledger as statistics is not a new idea. You are sitting on a gold mine of information. You just need to start using it.

## **Labor Productivity**

Knowing the labor cost in dollars is important. Knowing your labor cost percentage is key to understanding the profitability characteristics for sure. But the "grand puba" is measuring hours per room occupied in the rooms department and sub departments, plus the hours per customer served in F&B. You do not have much control over the minimum wage and when it goes up the percentages and

dollar figures are largely useless to tell you what kind of job you are doing. Properly recording, scheduling and tracking productivity will revolutionize your business. BTW, no new systems or apps required. Read more about how you can create EFTEs and labor productivity tools here.

## **Payroll Summary**

Finally, you need to zero in on the biggest cost you have: Payroll. Creating a summary that pulls out all the details about the individual costs is easy and the data already exists. Use your financial statements to produce this analysis each month. The data is already in your system you just need to write the proper report that will greatly expand your understanding around your biggest cost.

Remember, you cannot manage what you cannot measure.

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[https://www.hotelfinancialcoach.com/hospitality-financial-leadership-key-attributes-of-proper-hotel-financial-statement/?mc\\_cid=c49fec86e9&mc\\_eid=63f1627809](https://www.hotelfinancialcoach.com/hospitality-financial-leadership-key-attributes-of-proper-hotel-financial-statement/?mc_cid=c49fec86e9&mc_eid=63f1627809)