



Faculty of Economics and Tourism
"Dr. Mijo Mirković"



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CONTENTS

PREFACE	1
INFLUENCE OF DESTINATION HOSPITALITY AND OVERALL TOURIST SATISFACTION ON TOURIST LOYALTY: CASE STUDY ROVINJ	3
Sandra Barač-Miftarević, Marko Paliaga	
EMPLOYER BRANDING: AN INVESTIGATION INTO THE DIFFERENCES IN PERCEPTION OF THE ATTRACTIVENESS DIMENSIONS AMONG GENERATION Z MEMBERS IN CROATIA	29
Erik Ružić, Dragan Benazić, Marko Paliaga	
A STUDY ON THE INTERNAL COMMUNICATION SATISFACTION OF CROATIAN EMPLOYEES	49
Klara Biondić, Erik Ružić, Dragan Benazić	
THE INFLUENCE OF GLOBAL ECONOMIC POLICY UNCERTAINTY ON THE PRICE OF GOLD: EVIDENCE FROM AUTOMATIC MODEL SELECTION USING AUTOMETRICS	65
Manuel Benazić	
A COMPARISON OF ACCRUALS MODELS IN EARNINGS MANAGEMENT DETERMINANTS: EVIDENCE FROM ANGLOPHONE SUB-SAHARAN AFRICAN COUNTRIES	81
Emmanuel Mensah, Rachel Odoley Mensah, David Aboagye Danquah	
SMES UNDER THE UMBRELLA OF COVID-19 PANDEMIC: CHANGES AND CHALLENGES	119
Valentina Diana Rusu, Angela Roman	
WORKPLACE STRESS AND ITS PREVENTION: THE CASE OF SEASONAL EMPLOYEES	139
Ivana Bulog, Tina Krolo	
TRUST, MARKETS AND EFFORT	155
Jon Reiersen	
THE EVOLUTION OF NATIONAL AND REGIONAL STATE-OWNED FINANCIAL INSTITUTIONS IN BRAZIL: CHALLENGES IN THE 21ST CENTURY	173
Fernanda Feil, Carmem Feijó, Carlos Henrique Horn	
IMPACT OF SOCIAL NETWORKS ON GENERATION Z CONSUMER HABITS	203
Nina Taletović, Iva Slivar, Maja Bizjak	
FOREIGN DIRECT INVESTMENT OUTFLOW FROM THE EUROPEAN UNION	219
Goran Popović, Ognjen Erić, Stanko Stanić	

ATTITUDES OF OLDER ADOLESCENTS ABOUT ONLINE ADVERTISING - EVIDENCE FROM CROATIA	239
Barbara Palavra, Iva Slivar, Maja Bizjak	
RESEARCH ON STAGE FRIGHT AND FEAR OF PUBLIC SPEAKING	265
Kamilo Antolović, Mario Fraculj, Siniša Kovačić	
HOW LEADERSHIP STYLE INFLUENCES STRATEGIC DECISION-MAKING AND BUSINESS PERFORMANCE - AN EMPIRICAL INVESTIGATION OF FAMILY BUSINESSES IN PUNJAB, INDIA	281
Lovika Goyal, Ravi Kiran, Subhas Chandra Bose	
IMPACT OF ICT IMPLEMENTATION ON ORGANISATIONAL ARCHITECTURE CHANGES	307
Daglas Koraca	
ANALYSIS OF FINANCIAL PERFORMANCES OF ASSISTANCE INSURANCE IN THE REPUBLIC OF CROATIA	329
Ticijan Peruško	
CREDIT ACCESSIBILITY EVALUATION MODEL FOR SMALL AND MEDIUM ENTERPRISES	347
Aidas Malakauskas, Ausrine Lakstutiene, Karolina Malakauskiene	
RE-BRANDING, REPUTATION AND IMAGE IN THE INNOVATIVE COMPETITIVE STRATEGIES – A CASE OF HOTEL INDUSTRY IN PRAGUE AND BRATISLAVA	367
Marica Mazurek	
ECONOMIC MEASURES DURING THE COVID-19 CRISIS: A CASE OF SLOVENIA	387
Matej Lahovnik	
DETERMINANTS OF CONSUMER INTENTION TO PURCHASE ORGANIC PRODUCTS	403
Antonela Cerin, Marina Perišić Prodan, Ana Čuić Tanković	
THE ADOPTION OF USAR – CASE STUDY OF A MICROENTERPRISE IN THE RESTAURANT INDUSTRY	421
Filipa Campos, Luís Lima Santos, Conceição Gomes	
RESTAURANT MANAGEMENT THROUGH USAR AND USALI: EXPLORATORY APPROACH TO SIMILARITIES AND DIFFERENCES	445
Filipa Campos, Luís Lima Santos, Conceição Gomes	
COMPARISON OF ECONOMIC VALUE ADDED AND MODIFIED VALUE-ADDED INTELLECTUAL COEFFICIENT AS MEASURES OF INTELLECTUAL CAPITAL VALUATION	465
Robert Zenzerović, Ksenija Černe, Adriana Galant	

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RESTAURANT MANAGEMENT THROUGH USAR AND USALI: EXPLORATORY APPROACH TO SIMILARITIES AND DIFFERENCES

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ABSTRACT

The tourism sector is key to global economic development. The hotel and restaurant business segments are very relevant for the generation of wealth and employment, so the managers of these companies must have quality information to support their decisions. In this regard, the research subject of this paper is two uniform systems of accounting applicable to the tourism sector and generally accepted in the hotel and restaurant industry. The general objective of this research is to study the USALI (Uniform System of Accounts for the Lodging Industry) and the USAR (Uniform System of Accounts for Restaurants) to provide a simple-to-use analytical basis for managers to gain a competitive advantage. This main objective is underpinned by three specific objectives focused on the study of the practical aspects of these two accounting systems: the analysis of the income statements, the analysis of the detailed auxiliary/supporting schedules and the establishment of structural relationships that will contribute to supporting restaurant managers, whether as a department of a hotel or as an independent business. The methodology used follows an exploratory approach, through the study and analysis of relevant bibliography, which consists of books and articles by various authors and the official documents of the two uniform accounting systems. The results allow us to highlight the main differences between the two systems, which are composed of several detailed auxiliary/supporting schedules. The study evidenced that USAR and USALI provide information with distinct management goals, whereby USAR presents a higher degree of detail and suggests more in-depth operational and financial analyses. The conclusions highlight the importance of USAR and USALI, with USAR contributing to better analysis and performance in the food and beverage department. The main practical contribution of this study results in the perception, for managers, of these two systems as a coherent whole, since the study allows the analysis of both separately and/or through their similarities.

Keywords: management accounting, uniform systems of accounts, USALI, USAR, hospitality industry, restaurant industry.

1. INTRODUCTION

Hospitality has evolved positively over the last decades (Abranja, Almeida and Elias Almeida, 2019). Some authors argue that the hospitality sector presents a growth trend in recent years and hoteliers have been diversifying and customising their services, to maintain positive results in the face of the strong competitiveness existing in this sector (Alves, Malheiros and Gomes, 2019).

However, given its complexity, the hospitality business constitutes a continuous challenge for managers, because hoteliers must have a comprehensive and accurate picture of the business in which they operate and, for that, it becomes necessary to implement information systems that allow the operational and financial analysis of the hotel and the presentation of indicators that guide towards profit maximisation (Alves, Malheiros and Gomes, 2019).

The greatest tradition in the use of sectoral charts of accounts in various economic sectors belongs to the United States of America; in practical terms, there are systems called Uniform Systems, produced by accounting professionals, which are applied to companies operating in the same sectors of activity, being periodically assessed, and reviewed by professionals of the sector in question. The fact that these systems are uniform and standardised enables comparisons between the various companies that use them, as well as comparisons of companies in different countries (Campa-Planas and Banchieri, 2016), highlighting the relevance of “localisation” in their design.

The hospitality sector has developed information systems that can be adapted to any hotel according to its characteristics – “size” and “departmental organisation” – to help industry professionals by providing accounting information that, when accurately analysed, establishes the starting point for informed decisions that allow companies to generate profits (Campa-Planas and Banchieri, 2016).

Of the four systems in use in hospitality (Schmidgall, 2011, Schmidgall, Korpi and ISPA, 2011), the present study will analyse two: USALI and USAR. In chronological terms, the USALI was published in 1926 by the Hotel Association of New York City; in 1968, the USAR was published by The National Restaurant Association. Both systems are uniform and generally applied by companies around the world.

There are several studies on the use and contribution of USALI in hotel companies (Lima Santos *et al.*, 2012, Campa-Planas and Banchieri, 2016, Faria, Ferreira and Trigueiros, 2018a); however, the bibliographic production on USAR is much smaller.

Notwithstanding the lack of studies on the application level of USAR, it is as important as USALI in supporting the development and specialisation of the hotel and restaurant industry.

Thus, according to the information presented above, the general objective of this research is to study the USALI and USAR to provide simple analytical support for use by managers in the companies they lead. Three specific objectives support the main objective, and they are as follows:

- Analysis of income statements from both systems.
- Analysis of the department schedules of USALI and the detailed supporting schedules of USAR.
- Establishment of structural relationships between the systems to support restaurant managers present in a hotel department or an independently managed restaurant.

In terms of structure, the study adopts a conventional format: literature review, explanation of methodology, presentation and discussion of results and conclusions.

2. LITERATURE REVIEW

The literature review is carried out based on the two uniform systems of accounts; their structures will be presented, according to official documents (HANYC, 2014) and to studies that identify the advantages and disadvantages arising from their use and that help to understand how these systems can contribute to improving management in their area of operation.

2.1. USALI

As a result of the adoption of several changes, from technological to social, the USALI has been updated over the years until the most recent version of 2014, the 11th edition (Lima Santos *et al.*, 2016, Lima Santos, Malheiros and Gomes, 2017), which came into effect in 2015 (Martin Peña *et al.*, 2017).

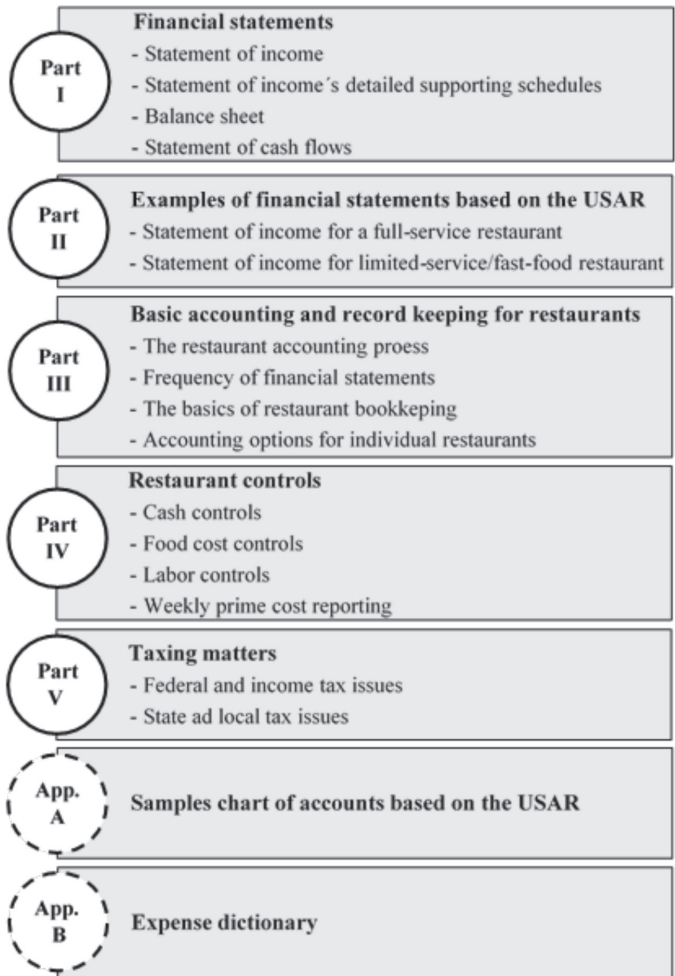
However, in the present year, 2022, the USALI, in order to align with existing industrial metrics, will undergo some changes regarding the monitoring and benchmarking of the costs and a new designation for utilities which will be renamed energy, waste and water (EWW); it will have specific ways to calculate the environmental impact of a hotel and it will focus on the orientation to support both large and small accommodation companies in order

to analyse the efficiency performance and prepare information according to the needs of stakeholders (HANYC, 2022).

According to several authors, this is the uniform accounting system with the greatest use and acceptance worldwide because it establishes account classifications and standardised models to guide the preparation and presentation of income statements and operating and financial statements, therefore improving their understandability by users (Lima Santos *et al.*, 2016).

The USALI is divided into five parts (Figure 1).

Figure 1. USALI structure



Source: Adapted from HANYC (2014)

Part I reports on operating activities and includes a summary operating statement (SOS) for operators, a summary operating statement for managers and 14 department schedules; here, the various departmental items are identified, and operating results are calculated (HANYC, 2014). The following are the department schedules (Sch.) present in USALI:

- Sch_1 Rooms
- Sch_2 Food and beverage (F&B)
- Sch_3 Other operated departments
 - Sch_3.1. Golf course and pro shop,
 - Sch_3.2. Health club/spa, parking,
 - Sch_3.3. All other operated departments,
 - Sch_3.4. Minor operated departments.
- Sch_4 Miscellaneous income
- Sch_5 Administrative and general
- Sch_6 Information and telecommunications systems
- Sch_7 Sales and marketing
- Sch_8 Property operation and maintenance
- Sch_9 Utilities
- Sch_10 Management fees
- Sch_11 Non-operating income and expenses
- Sch_12 House laundry
- Sch_13 Staff dining
- Sch_14 Payroll-related expenses

Part II of USALI includes the main financial statements: balance sheet, income statements, statement of changes in equity, cash flow statement and notes to the financial statements. Part III includes the analysis of the statements presented in parts I and II through financial ratios and operating metrics. Part IV presents revenue and expenses dictionaries. Part V, introduced in the 11th edition, clarifies whether some income should be presented on a gross or net basis (HANYC, 2014).

According to the studies of several authors, the USALI presents some advantages and disadvantages.

On the side of the advantages, it is important to highlight Jorge (2010) and Lamelas and Filipe (2012), who advocate the importance of using the USALI to acquire a single vision, not only for the success of co-leadership but also for

the comparison between indicators of competition. In their study, they tried to understand if there was a relationship between the co-leadership model and the improvement of the effectiveness and efficiency of hotel companies in Portugal. The results state that the higher the co-leadership, the better the effectiveness and efficiency, which consequently generates a higher gross operating profit. The same authors defend the importance of a leadership with complementary skills, which will be achieved through mediation systems and qualitative and quantitative information, as is the case of USALI. In addition, this system, according to Gomes, Lima Santos and Arroteia (2015) is widely used for the purpose of preparing budgets and assisting in the decision-making and management control of a hotel enterprise.

On the disadvantages side, Campa-Planas and Banchieri (2016) highlight differences in the application of USALI; these authors assessed the homogeneity in the application of this accounting system in the hotel sector, through a quantitative methodology, with a questionnaire presented to 1,089 hotels in Catalonia, Spain; the results point to a disparity of criteria, showing heterogeneity in the application of USALI.

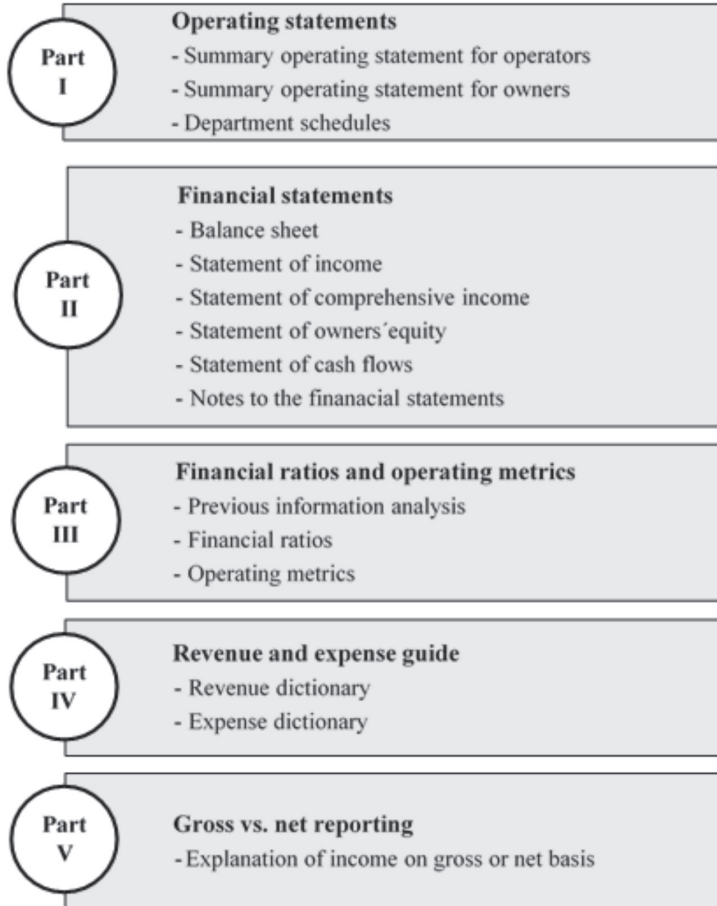
As for the variables that influence the adoption of the USALI, opinions diverge. Lamelas and Filipe (2012) argue that the use of this system is greater when the category and size of a hotel company are larger; Faria, Ferreira and Trigueiros (2019) argue that there is no relationship between USALI and the size of the company, but only with its category. Gomes, Lima Santos and Arroteia (2015) found that the number of employees and the resistance to change by the top manager are variables to be considered.

2.2. USAR

The USAR was established in 1968 and it has undergone several changes over the years, the most recent version being that of 2012. This system serves as a guide for the preparation of financial information for a restaurant as it shows “clear and meaningful feedback” (NRA, 2012, p. 1) to achieve success at both operational and financial levels.

The uniform system of accounts for restaurants is divided into 5 parts and 2 appendices (Figure 2): financial statements, examples of financial statements based on the USAR, basic accounting and record-keeping for restaurants, control maps, tax matters, an example of a chart of accounts based on the USAR and an expenses dictionary (NRA, 2012).

Figure 2. USAR structure



Notes: App. = Appendix
Source: Adapted from NRA (2012)

Part I includes the summary operating statement and 28 detailed supporting schedules (DSS):

- DSS_1 F&B sales by department
- DSS_2 F&B sales by meal period
- DSS_3 Beverage sales by type
- DSS_4 Beverage sales by location
- DSS_5 Merchandise sales and other operating income
- DSS_6 Other operating income
- DSS_7 Cost of meals
- DSS_8 Cost of meals and soft beverages
- DSS_9 Employee meals – Food cost per meal served
- DSS_10 Food cost as a percentage of employee meals
- DSS_11 Employee meals discounts reported in gross sales
- DSS_12 Food cost as a percentage of manager comps (complimentary meals)
- DSS_13 Manager comps discounts reported in gross sales
- DSS_14 Cost of bar consumables
- DSS_15 Labour cost in a full-service restaurant
- DSS_16 Labour cost in a limited-service restaurant
- DSS_17 Other controllable expenses
- DSS_18 Music and entertainment
- DSS_19 Marketing
- DSS_20 Utilities
- DSS_21 General and administrative expenses
- DSS_22 Repairs and maintenance
- DSS_23 Occupancy costs
- DSS_24 Equipment leases
- DSS_25 Depreciation and amortisation
- DSS_26 Corporate overheads
- DSS_27 Interest expense
- DSS_28 Other income/expense

The balance sheet and cash flow statement also belong to part I of the USAR. In part II, two examples of financial statements based on this system

are presented: one for full-service restaurants and one for limited-service restaurants, also known as fast-food restaurants. Part III clarifies the basic aspects of management accounting to help managers and users of this system. Part IV explains cash control charts, food cost, labour cost and prime cost, which is the term used to refer to the sum of raw materials and direct labour (Pires, 2017). Part V explains how taxation applies to restaurants and, of course, the case of the United States of America is illustrated.

Appendix A presents an example of the chart of accounts based on the USAR, according to the financial policy of the country of origin. Finally, Appendix B presents a dictionary of all the costs that can be charged to the restaurant (NRA, 2012).

The language used by USAR allows the discussion between the cost of food, prime cost and direct operating costs, to understand the operating margin that will help in decision-making. It is also possible to establish the restaurant's history, which ultimately facilitates evolution analysis and comparisons between industry averages.

The advantages of USAR are highlighted, such as easy planning and consistency in the operations prepared (Main, 2018). In a technical paper aimed at industry professionals on the profitability of the restaurant business, Laube (2013) explains that USAR is considered a uniform system of accounts that is easy to use, which is a huge advantage.

Sysco (2015), in a study related to restaurant costs, underlines the importance of identifying and analysing the main food costs to seek their reduction.

As for the disadvantages, it is highlighted that this system comprises vast detailed supporting schedules with several lines, which sometimes may hinder its implementation in smaller companies (NRA, 2012).

Finally, taking into consideration the fact that the accounting systems addressed in this study are of high importance for managers and companies in the tourism sector, more specifically in the restaurant and hotel segment, the next chapter will explain the methodological option chosen by the authors that allowed achieving the proposed objectives.

3. METHODOLOGY

The methodology used in this study is an exploratory approach, allowing more information to be obtained about USALI and USAR; this research topic is still at an early stage, which is crucial for further studies related to accounting systems applied to the hotel and restaurant segments.

According to Snyder (2019), the literature review is increasingly considered a valid and important research method for knowledge development. Paul and Criado (2020) agree, stating that the literature review has great value, so the authors resorted to a literature search with the survey and analysis of already-published elements (Prodanov and Freitas, 2013).

In addition, the official documents establishing the USALI (HANYC, 2014) and the USAR (NRA, 2012) were consulted, which allowed analysing, interpreting and establishing relationships between the two uniform systems of accounts. The research was also enriched using various works written by educational institutes and professional associations, exploratory studies and scientific articles addressing this issue. All these sources made it easier to obtain the results of the present study.

4. RESULTS AND DISCUSSION

The results allow us to point out common ground, but essentially highlight the major differences between the two systems. USAR was developed after USALI, which is considered a widely adopted system; however, USAR presents a greater degree of detail in operational analyses; this situation occurs because USAR requires a more in-depth operational and financial analysis compared to USALI. On the other hand, it is evident from the systems analysis that USALI and USAR operate with a high number of fixed costs. This is also a reason that favours the use of the two systems. The two uniform systems of accounts studied allow both internal and external users to make comparisons on the operational and financial performance of organisations (Schmidgall, Korpi and ISPA, 2011, NRA, 2012, HANYC, 2014).

4.1. BUSINESS AREAS

The USALI is applied to the hotel system, but also to management companies, and independent properties, among other business areas, which allows making comparisons regarding the financial and operational performance of entities (HANYC, 2014), constituting a great advantage. The USAR can be applied to small, medium, or large restaurants and there are two

types of financial statements, which can be full-service or limited service. This means that the statements can cover all service revenues and costs or only food revenues and costs, leaving out alcoholic beverages (NRA, 2012).

4.2. ANALYSES

Both systems provide analyses through indicators, metrics, statistics and budgets. However, regarding ratios, USALI contains quite relevant information for users of this system; USAR has weaknesses in this area because it does not incorporate ratios in its analyses.

In terms of cost control, USAR is the most prudent because the restaurant industry is characterised by being prone to cost excesses. Therefore, this system aims to highlight the cost areas that are considered more difficult to control and that have the greatest impact on the operation of a restaurant. For this reason, the uniform system of accounts applied to restaurants argues that it is important to present the prime cost every week; this way, if there are any problems, managers will be able to realise them more quickly than they could with a monthly frequency and propose solutions for the success of the business (NRA, 2012, HANYC, 2014).

The USAR only includes the analysis of tax matters; however, regarding tax aspects, both systems are responsive to different tax systems, which is normal for companies located in different countries. Each country also determines whether bonuses are mandatory. In countries where there is no such obligation, it is up to the client to decide whether bonuses are granted, according to the quality of the product or service provided.

Furthermore, according to Schmidgall (2011), the accounting systems under study have several similarities, regarding sales segmented, cost of sales segmented, controllable expenses separated from fixed charges and fixed charges segmented. However, USAR does not segment payroll costs and other direct costs, as shown in Table 1.

Table 1. Basic similarities and differences between USALI and USAR

Basic similarities and differences between USALI and USAR	USALI	USAR
Sales segmented	Yes	Yes
Cost of sales segmented	Yes	Yes
Payroll and related costs segmented	Yes	No
Other direct costs segmented	Yes	No
Controllable expenses separated from fixed charges	Yes	Yes
Fixed charges segmented	Yes	Yes

Source: Adapted from Schmidgall (2011)

4.3. OPERATING STATEMENTS

USALI differs from the others in that it has integrated operating statements, which is not the case of USAR, because this system is designed for specific departments. In other words, in the USALI's operational statements, all the departments that make up a hotel are presented, so that it is then possible to present all these values in the summary operational statement. This income statement presents income structured into accommodation, food and beverages, other operational departments, then the costs of the above-mentioned departments are presented, as well as marketing and sales, maintenance and administration costs, among others, until the net result is obtained. The data is presented in this way because the accommodation and food and beverage departments have a greater impact, in general, on the operation of a hotel compared to the other departments (HANYC, 2014).

Due to the generality of USALI, it becomes difficult to allocate some indirect costs to some departments. According to Carvalho (2009), the food and beverage department is negatively influenced by the system in question. Thus, the USAR is essential to analyse those same costs. In addition, due to the complexity of USALI, its implementation is more difficult in small companies, because small hotels are not organised into departments.

In the USAR, the most relevant areas of the operating statements are food and beverages (divided by liquors, wines and beers, because the remaining non-alcoholic beverages are included in food). Staff costs, prime costs and merchandise costs are considered in this operating statement.

Indirect costs and non-distributed costs in the USAR are more prominent when compared with the USALI operating statement, which makes it easier to read and makes it quicker and better to interpret the costs mentioned.

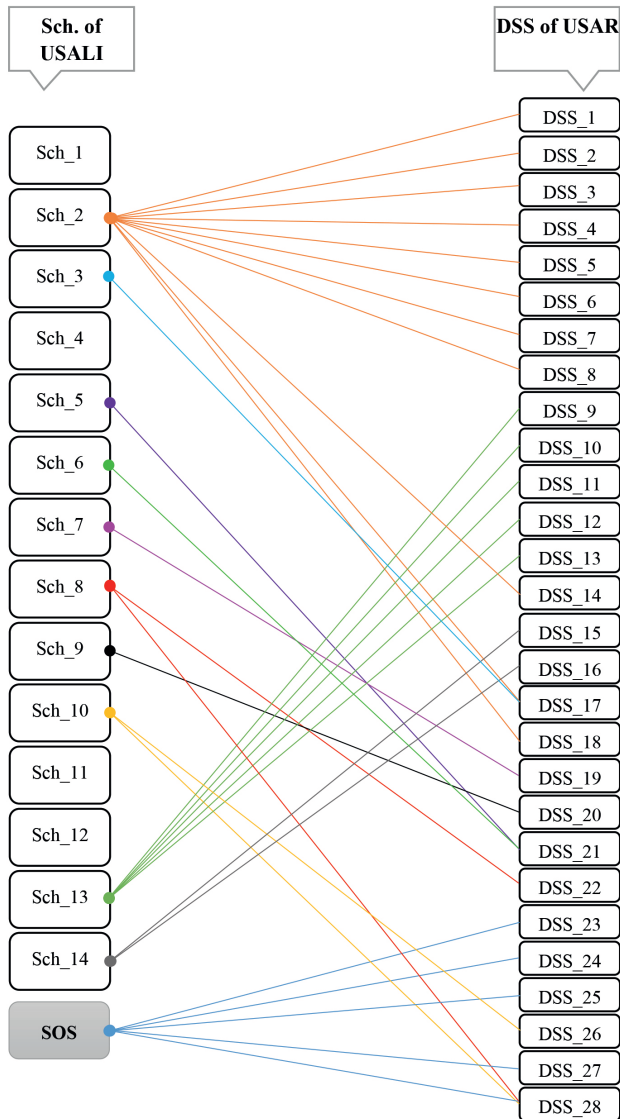
From the above, the two uniform systems present operating statements even though in USALI these represent a whole, while in USAR they represent a specific department that is, or can be, part of that same whole.

4.4. DEPARTMENTAL SCHEDULES OF USALI VS. DETAILED SUPPORTING SCHEDULES OF USAR

For a better understanding of the information potential of the uniform accounting systems under study, a scheme is presented, Figure 3, which allows establishing several relationships between USALI and USAR. These relationships were analysed with the support of the official documents of the two systems (NRA, 2012, HANYC, 2014). This article is the first to establish relationships between USALI and USAR.

According to Figure 3, it is possible to identify that several detailed supporting schedules of USAR are present in the same department schedules of USALI; there are also lines in a single DSS of USAR that are present in different USALI Schedules.

Figure 3. Relationship between USALI and USAR



Notes: Sch = department schedules, DSS = detailed supporting schedules

According to the in-depth analysis prepared by the authors, the first eight detailed supporting schedules and DSS_14 – Cost of bar consumables, DSS_17 – Other controllable expenses and DSS_18 – Music and entertainment, contain information that completes Sch_2 – Food and beverage of USALI; however, some items present in DSS_17 – Other controllable expenses, can also be considered in Sch_3 – Other operated departments. Considering the DSS_5 – Merchandise sales and other operating income, it contains information related to Sch_2 – Food and beverage, but may be present in the “minibar” or “other food revenue” lines.

As shown in figure 3, the information contained in DSS_9 – Employee meals – Food cost per meal served, DSS_10 – Food cost as a percentage of employee meals, DSS_11 – Employee meals discounts reported in gross sales, DSS_12 – Food cost as a percentage of manager comps (complimentary meals) and DSS_13 – Manager comps discounts reported in gross sales is present in Sch_13 – Staff dining of USALI; however, if the hotel does not have staff dining, the costs included in these schedules can be distributed to Sch_14 – Payroll expenses, and after these departments, they are again distributed by the various departments of the hotel that have labour costs, i.e., they are distributed by all departments except for Sch_9 – Utilities.

Still, on DSS_12 – Food cost as a percentage of manager comps (complimentary meals) and DSS_13 – Manager comps discounts reported in gross sales, after these schedules are filled, the information contained in them is transferred to DSS_19 – Marketing and, in the statement of income of USAR, a specific line is considered for this purpose; in USALI, these costs are distributed according to the several departments, as previously explained.

DSS_15 – Labour cost in a full-service restaurant and DSS_16 – Labour cost in a limited-service restaurant correspond to Sch_14 – Payroll-related expenses in the hotel, because they deal with labour costs. DSS_20 – Utilities corresponds directly to Sch_9 – Utilities, because it expresses the same information on utilities, namely energy, water, and waste.

DSS_21 – General and administrative expenses match the information presented in Sch_5 – Administrative and general; however, the line regarding telecommunications in the USAR is present in Sch_6 – Information and telecommunications systems of USALI.

The information present in DSS_22 – Repairs and maintenance, corresponds to Sch_8 – Property operation and maintenance. The totals of DSS_23 – Occupancy costs, DSS_24 – Equipment leases, DSS_25 – Depreciation and amortisation, DSS_27 – Interest expense and DSS_28 – Other income/expense, match specific lines present in the SOS of USALI. Nevertheless, the items present in DSS_28 – Other income/expense represent several USALI

schedules: “officer’s salary” corresponds to Sch_10 – Management fees, and the items “grease and waste sales” and “gain/loss on asset sales” correspond to Sch_8 – Property operation and maintenance. The information present in DSS_26 – Corporate overheads, also relates to Sch_10 – Management fees.

On a general note, labour costs in USALI are allocated to the departments to which they belong, but in USAR this is not the case; labour costs are not dispersed across the various departments and are presented in one line of the income statement divided between management, staff and employee benefits.

Considering the degree of information accuracy of USAR, namely regarding the food department and meal period, if managers would like to add items to the already existing USALI schedules, this is not possible, as the system does not allow it. However, there is the option to generate new income and expenditure schedules.

There are also four detailed supporting schedules of USAR (DSS_1 – F&B sales by department, DSS_4 – Beverage sales by location, DSS_11 – Employee meals discounts reported in gross sales and DSS_12 – Food cost as a percentage of manager comps (complimentary meals)) that do not have a match in USALI. This happens because these schedules contain information that is not relevant, since the purpose of the present study was to promote a simple form of support to hotel managers with a greater focus on the restaurant department and restaurants with independent management.

5. CONCLUSIONS

With globalisation and intensifying competition in a global market, hotel managers must be seriously committed to the performance of their companies. Thus, it becomes necessary to implement strategies that enable the success of organisations and, for this, the uniform systems of accounts studied here constitute an added value by allowing not only operational but also financial analyses (HANYC, 2014).

USALI improves the quality of a company’s information (Jorge, 2010), as well as making it more effective and efficient (Lamelas and Filipe, 2012). However, the fact that hotel managers place the focus only on USALI highlights greater limitations in the task of attributing all the costs associated with the F&B departments. In the case of restaurant managers, USAR allows a greater and better analysis of the food and beverage departments, as this area of operation relies on a “fine analysis” due to the high percentage of fixed costs attributed to it.

Accordingly, the authors can state that the objectives proposed in this study were achieved because, according to the analysis carried out of the set of

statements of both systems, it was observed that the F&B department is less detailed by the SOS of USALI because this system has difficulty in assigning various costs; thus, the income statement of USAR becomes crucial in this process.

Concerning the detailed supporting schedules, USAR, due to its specificity, consists of twice as many schedules as USALI, and it was possible to establish a relationship between the various schedules of these two accounting systems, except with DSS_1 – F&B sales by department, DSS_4 – Beverage sales by location, DSS_11 – Employee meals discounts reported in gross sales and DSS_12 – Food cost as a percentage of manager comps (complimentary meals), which are not directly linked to the F&B department; therefore, Sch_2 – Food and beverage, is the one that corresponds more closely to the schedules of USAR.

Finally, it is considered that, for specialised professionals and managers, these two systems contribute to better analysis and performance of the departments in question (an activity that USALI cannot provide, since it is a uniform system of generalised accounts). With USAR, the F&B department can have a clearer and more specific view of their performance, even without using USALI.

The study found limitations associated with the scarcity of information on the USAR, as there is little literature on this subject, and therefore future studies are required on the use of the USAR in conjunction with the USALI. Consequently, the main practical contribution of this research results in managers' perception of these two systems as a coherent whole in an organisation that aims to achieve success.

Regarding theoretical contributions, this article allowed a more in-depth analysis of the F&B department using the USAR, as it is more specific than the USALI. This article is the first to establish relationships between USALI and USAR and can serve as a starting point for future research, for comparisons with other accounting systems.

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