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FairPlanner

Changes in USALI* - 12th Edition

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Introduction

Prepare for the evolving hospitality landscape with Fairmas as we give you an exclusive preview of potential changes in the upcoming 12th Edition of USALI* by HFTP. Although these adjustments are not final, our commitment to keeping you ahead of the curve empowers your financial planning and analysis. Fairmas ensures you can seamlessly integrate new industry standards, making proactive adaptation a breeze.

Stay tuned for official updates and trust Fairmas to help you navigate the future of hospitality with confidence. A detailed overview of the changes can be found below.

Feel free to reach out to our Support team in case of any questions.

Email: contact@fairmas.com

1 Uniform System of Accounts for the Lodging Industry (USALI*)

The Uniform System of Accounts for the Lodging Industry (USALI*) is a standardized accounting framework and set of guidelines specifically designed for the hospitality and lodging industry. It provides a structured and consistent way for hotels and lodging establishments to organize and report their financial information.

USALI* covers various aspects of financial reporting, including revenue, expenses, and performance metrics, ensuring that financial data across different properties and businesses within the industry can be compared and analysed effectively. It helps ensure uniformity and transparency in financial reporting practices, making it easier for stakeholders, investors, and industry professionals to understand and evaluate the financial performance of lodging establishments.

USALI* is periodically updated to reflect changes in accounting standards and emerging trends in the hospitality industry.

2 Summary Operating Statement (Hotel P&L)

The changes to the former edition of the USALI* are highlighted in orange font color and marked with [New] or [Change].

Revenue

- Rooms [Change]
- Food and Beverage [Change]
- Other Operating Departments [Change]
 - Minor Operating Departments [Change]
- Miscellaneous Income [Change]

Total Operating Revenue

Departmental Expenses

- Rooms
 - Guest Loyalty Program Costs [New]
- Food and Beverage
- Other Operating Departments

Total Department Expenses

Total Department Income (Gross Operating Income)

Undistributed Operating Expenses

- Administrative and General
- Information and Telecommunications System
- Sales and Marketing [Change]
- Property Operations and Maintenance
- Energy, Water and Waste [New] (formerly known as “Utilities”)

Total Undistributed Expenses

Gross Operating Profit

Management Fees

Disclaimer: [Hospitality Financial and Technology Professionals \(HFTP®\)](#) is the publisher and copyright owner of [USALI](#). Fairmas only uses the term “USALI*” to refer to the existing industry standard as one of several, possible, company-specific P&L account frameworks.

Income before Non-Operating Income and Expenses [Change]

Non-Operating Income and Expenses

- Income [Change]
 - Lease Income
- Rent
- Property and Other Taxes [Change]
 - Business and Occupation Taxes
- Insurance
- Other [Change]
 - Pre-opening Expenses
 - Unrealized Investment Gains or Losses

Total Non-Operating Income and Expenses

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)

3 Schedule 1 – Rooms Department

3.1 Rooms Revenue Segmentation Enhancement

The Rooms Revenue segment, categories and definition will be expanded and enhanced. More information is yet to be provided.

Additionally, an optional Channel Mix schedule has been introduced, potentially leading to better revenue management.

3.2 Guest Loyalty Program Costs Tracking

New guidelines have been implemented to improve the monitoring of expenses related to services and amenities provided to members of a Guest Loyalty Program.

This aims to enhance the efficiency and accuracy of cost tracking for loyalty program services.

4 Schedule 2 – Food & Beverage

Significant changes in the Food & Beverages section are anticipated to take place. The changes will be as follows based on the current information from HFTP:

4.1 Clarifications for F&B Commissions and Reservations

Clearer guidance has been added regarding the allocation of costs related to third-party delivery systems, improving the understanding of F&B Commissions and Reservation expenses.

4.2 Enhancement of China, Flatware, Glassware, etc.

The definition of expenses such as China, Flatware, Glassware, Ice, and Linen has been improved to provide better clarity on how these costs should be treated when charged to banquet guests.

4.3 Clarification for Conference Center Hotels

The introduction to the schedule has been refined to provide more explicit instructions on how to report Conference Center hotels with a Conference Service Department, ensuring accurate reporting for establishments like Complete Meeting Package or Day Meeting Package.

4.4 Minibar Changes

The definitions and line items for Minibar Food and Minibar Beverage have been removed from Food & Beverage - Schedule 2 and are now categorized as a Minor Operated Department in the Other Operating Department - Schedule 3. This change can be visualized in the Market Place Scenario Flowchart designed by HFTP found on the next page.

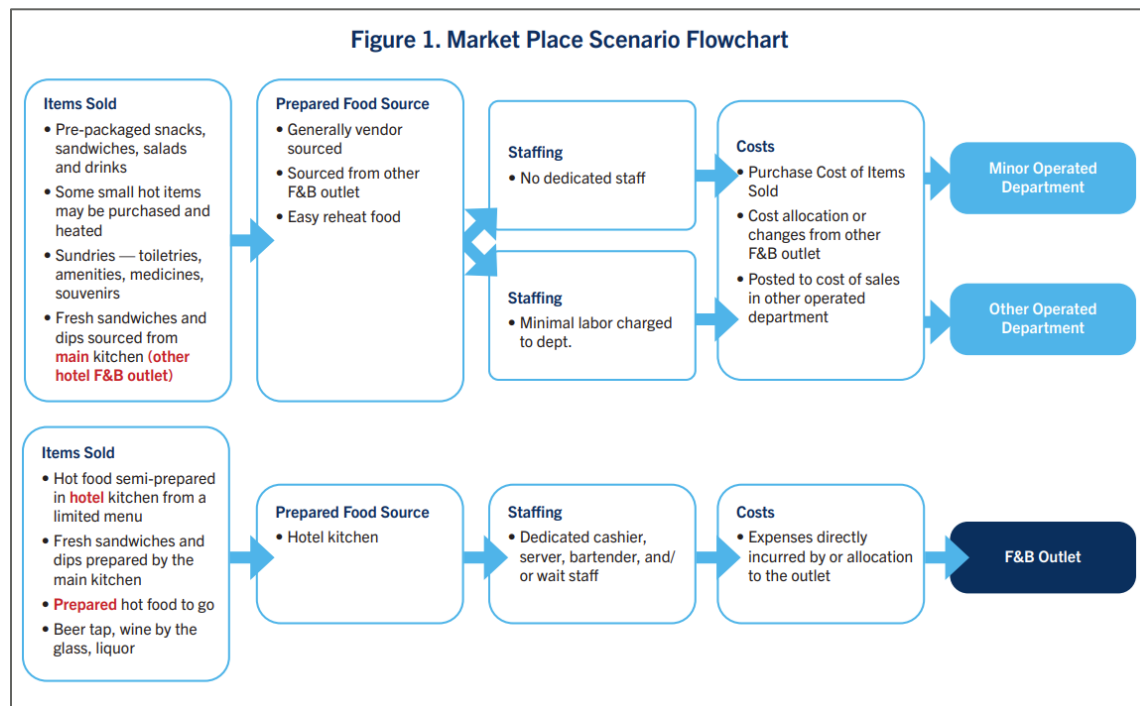


Figure 1. Market Place Scenario Flowchart

5 Schedule 3 – Other & Minor Operated Departments

The notable changes to the Other Operated Departments and Minor Operated Departments within the Operating Statement are as follows:

5.1 Other Operated Departments Clarifications

- Other Operated Department is defined by its ability to generate revenue, possess direct payroll costs, direct product costs, and other direct operating expenses. This department operates with the intention of achieving a profit or minimizing losses.
- If a department solely generates revenues without corresponding expenses or if the majority of property income is "net revenue," it falls under Miscellaneous Income - Schedule 4.
- Departments offering complimentary guest services with no revenue are not categorized as Other Operated Departments. Expenses of such departments are allocated to those benefiting most from the service.

- Detailed examples illustrating these principles will be provided in the final version once released by HFTP.

5.2 Minor Operated Departments Clarifications

Previously, there was no concrete definition explaining ‘Minor Operated Departments’, however, USALI*12 defines Minor Operated Departments as follows:

- Minor Operated Departments generate income meeting gross revenue and expense presentation criteria outlined in Part V. These departments incur direct operating expenses but typically lack direct payroll costs. They are expected to yield a property profit.
- Minor Operated Departments involve lower levels of revenue and expenses, which don't warrant a fully operated department sub-schedule. Departments with Labor Costs and Related Expenses should not be classified as Minor Operated Departments.

These revisions provide greater clarity on the characteristics of **Other Operated Departments and Minor Operated Departments**, ensuring accurate classification and reporting.

6 Schedule 7 – Sales & Marketing

The Sales and Marketing – Schedule 7 has been updated to modernize and adapt to recent changes and emerging trends in marketing systems, tools, customer relationship management, and sales channels.

Notable updates include the addition of:

- New accounts to reflect the use of digital tools in hotel marketing, expanded accounts for tracking guest loyalty program costs
- Clarifications for emerging expenses
- Changes to some line-item names for clarity
- Inclusion of new job titles related to digital marketing roles

The updated schedule also provides clarifications based on user questions and feedback and incorporates conforming changes for common expense categories across different department schedules. In addition, new accounts have been introduced in the Rooms – Schedule 1 and Administrative & General – Schedule 5 for member benefits and service recovery, respectively, leading to their removal from the Sales & Marketing schedule.

Additional ratios/statistics are still being developed by HFTP, especially for Sales & Marketing performance metrics. Additional metrics will be included in the final publication.

A short preview of the new marketing & sales account can be found below:

- Advertising – Print, Radio, and TV
- Digital - Paid Search
- Digital - Display
- Digital - Social
- Loyalty Program Cost
- Loyalty Program - Promotion Costs
- Marketing Agency Fees
- Photography and Videography
- Printed Collateral

7 Schedule 9 – Energy, Water and Waste

To cater to the changing demands of the hospitality industry, USALI*12 has reinvented Schedule 9 which now consists of Energy, Water, and Waste, formerly known as Utilities.

Businesses worldwide are increasingly addressing the need for improved reporting of environmental costs and liabilities. This effort, driven by a desire to lessen environmental impact, offers advantages beyond social responsibility. It can yield a competitive advantage in the expanding sustainable goods market, safeguard brand reputation, mitigate risks, boost employee retention, and reduce costs. The hospitality industry, like others, is facing growing demands from stakeholders to quantify the environmental effects of guest stays and overall hotel operations.

USALI*'s 12th edition emphasizes guidance for both large and small lodging properties to assess efficiency and respond to stakeholder information requests. The introduction of new metrics assists in calculating a hotel's environmental impact, catering to requests from meeting planners, cities, and third parties. Efficient management of EWW costs, usage, and environmental impact can enhance profitability, regulatory compliance, and reduce the hotel's ecological footprint.

While not providing detailed calculations for carbon footprint or greenhouse gas emissions, the USALI* 12th edition offers a framework for consistent measurement of energy usage, water consumption, and waste production. Brands often support these calculations within their global databases, streamlining efforts and ensuring consistency.

Given the diversity in hotel ownership and operations, it is recommended that all hotels monitor key components to understand and mitigate their environmental impact. Metrics like energy and water consumption per occupied room and waste production are vital for comprehending utilities costs and environmental effects.

Despite challenges in obtaining EWW information regularly, its calculation and benchmarking can offer insights into financial and environmental impacts, identifying opportunities for cost and usage reduction.

Overall, these updates and reconfiguration of Schedule 9 (Figure 2 on the next page) reflects a broader industry shift toward environmental responsibility and sustainability therefore, it is not only the perfect next step but will also help the hospitality industry stay one step ahead.

Energy, Water & Waste P&L
Energy
Electricity
Fuels, Gases & District Energy
Renewable Energy
Vehicle Fuels
Water and Sewer
Municipal Water
Other Water
Sewer
Waste
Landfill or Incinerated
Recycled Waste
Composted Waste
Other Diverted
Profit/(Loss)

Figure 2. Reconfiguration of Schedule 9

8 Schedule 11 – Non-Operating Income and Expenses

The Non-Operating Income and Expenses—Schedule 11 is unique in having both revenue and expenses aside from operated departments. The 12th Edition introduces six significant changes to this schedule, each with its rationale, as detailed below:

1. "**Lease Income**" now includes lease income linked to Owner-managed leasing activities, ensuring proper classification separate from property operations.
2. "**Cost Recovery Income**" and "**Cost Recovery Expense**" have been clarified to specify expenses recoverable under operator-managed leases, addressing prior discrepancies.
3. "**Business and Occupation Taxes**" now encompasses gross receipts taxes and other direct taxes, emphasizing their inclusion in this section.
4. "**Pre-opening Expenses**" is newly added as an 'Other Expense', consistent with U.S. GAAP, to record relevant expenses when incurred.
5. "**Unrealized Investment Gains or Losses**" is introduced to record associated unrealized gains/losses for Investment properties under IFRS and U.S. GAAP requirements.

6. "Rent" is updated to reflect lease accounting changes under U.S. GAAP and IFRS, covering operating and finance leases, with detailed attention to Right of Use (ROU) assets and Lease Liabilities.

Please note that consideration was given to the classification of leasing costs for employee housing complexes and no changes were required in the 12th Edition.

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