Learning Objectives

Upon completion of this unit, students should be able to:

1. Review the major responsibilities and functions of the controller's office.
2. Discuss how an effective controller helps the GM make appropriate financial management decisions by providing timely and accurate accounting data.
3. Explain the process to forecast revenue along with expenses.
4. Describe the process to develop a budget, including long-range budgets, annual budgets, and monthly budgets.
5. Explain the major types of financial statements and examine their purposes.
6. Identify the roles of internal and external audits.
7. Explain the important roles and functions of the hotel revenue manager.
8. Explain the importance of accurate forecasting when managing occupancy and ADR.
9. Describe the basic purpose of yield management strategies.
10. Identify the difference between the three major types of Internet distribution channels used by hotels.
11. Discuss the evolution of hotel distribution from its historical to its current channels.

Written Lecture

Chapter 5 addresses the importance of the financial performance of the property for which the GM is responsible. Managing all the resources and assets available to the maximum is a formidable task. The role of the Controller and how he/she can assist the GM in reaching the goals of the hotel are explained. The primary task of the Controller is to help the GM “control” and analyze performance results, as well as to help guide and advise the GM.

The importance of the accounting function is discussed. Topics include major responsibilities of the hotel's accounting department and the ways an effective hotel Controller helps make appropriate financial management decisions by providing timely and accurate accounting data. These tasks are critical to the success of the hotel and include forecasting hotel revenue, budgeting, preparing precise financial documents, compiling accurate operating statistics, assisting in the development and implementation of internal control systems, and serving as a liaison with internal and external auditors.

Discussion focuses on the significance of the Controller and accounting department to the management of any truly successful hotel. Many times the Controller “pitch hits” for the GM in his/her absence. In small hotels the GM often performs many of the Controller functions.
Chapter 6 provides a further examination of financial considerations, in particular the revenue management function. A hotel must be proficient at job pricing and then successful in selling its guest rooms. Most of the time, the sales and marketing department and the front office are directly responsible for pricing and selling rooms.

Determining what a hotel's rooms should sell for and the methods used to sell them make up the increasingly complex process called “revenue management.” GMs need to be familiar with the concepts, principles, and administrative activities required to positively influence and to maximize the income generated by their hotels.

This chapter includes an overview of a revenue-enhancing methodology first used in the airline industry and then introduced to the hotel industry as “yield management.” This term has evolved into “revenue management” because of the many specific methods now applied by modern hotels to market their rooms. The most important channels or methods used to sell rooms are presented to help GMs evaluate the effectiveness of their own property's channel management efforts.