

CERTAIN HIGHLIGHTS ON THE MAJOR CHANGES IN THE UNIFORM SYSTEM OF ACCOUNTS FOR THE LODGING INDUSTRY 12TH REVISED EDITION

Tatyana Dimitrova¹

¹ University of Economics, Varna, Bulgaria

Tatyana.dimitrova@uc-varna.bg

Abstract. This study is dedicated to the analysis of the twelfth edition of the Uniform System of Accounts for the Lodging Industry (USALI), examining the updates that reflect modern transformations in the hospitality sector. The primary goal is to identify, evaluate, and systematize the key changes to the standard and their implications for financial management. To achieve this, a qualitative content analysis was conducted, incorporating a comparison with previous editions and relevant scholarly literature. Significant modifications have been identified, including structural changes to the operating statements, more precise definitions for revenue and expense categories, and the introduction of new detailed schedules. Furthermore, the analysis addresses newly emphasized topics such as accounting for loyalty programs, digital marketing, and sustainability initiatives. The original contribution of this paper is the provision of a structured and critical overview of these complex changes. It offers considerable practical value by supporting hospitality managers and financial specialists in effectively applying the new standards, thereby improving the quality of their decisions. In conclusion, the USALI's twelfth edition successfully modernizes the framework, aligning it with current business practices and enhancing the transparency, accuracy, and comparability of financial reporting within the industry.

Key words: Hospitality Industry, Uniform System of Accounts for the Lodging Industry, USALI, Managerial Accounting

Received: 01.06.2025

Revised: 20.12.2025

Accepted: 26.12.2025

Published: 31.12.2025

1. Introduction

The Uniform System of Accounts for the Lodging Industry (USALI) has been a foundational financial management tool in the hospitality sector since 1926, when its first edition was published. It has been described as "the first successful organized effort to establish a uniform system of accounts in the lodging industry and one of the first such efforts in any industry" (Hospitality Financial and Technology Professionals, 2024, p. 10). Howard Field expressed the opinion that "there may be no other tool of management accounting that can boast such a long and stable history" (Field, 2022, p. 1). With its standardized structure, it ensures consistency and comparability of financial data, allowing hotels to make informed decisions. In response to the dynamically changing industry, USALI undergoes regular updates, with the latest, twelfth edition, introducing significant changes.

The purpose of this report is to review and analyze the main changes in the twelfth edition of USALI, emphasizing their practical application. Focusing on key innovations, this report aims to assist those working with and applying USALI in practice by providing clear and accessible information on the substantial amendments.

2. Literature review

Analysis of the existing literature regarding the implementation of the Uniform System of Accounts for the Lodging Industry reveals a significant diversity of viewpoints, which can be systematized and summarized into the following key highlights:

- USALI provides information for financial and management accounting (Schmidgall, 2014), (Georgiev, 2016);
- USALI is a method for recording and analysis (Haktanir, 2006);
- USALI is a standardized accounting system. (Schmidgall, 2016), (Gomez, 2012), (Campos, et al., 2022);
- USALI is a specific guide for accountants and operators (Kosarkoska & Mircheska, 2012), (Schmidgall & DeFranco, 2015);

- Strict application of USALI achieves full comparability of reports (Schmidgall & DeFranco, 2023), (Schmidgall & DeFranco, 2015), (Santos, et al., 2012), (Gomez, 2012);
- USALI is more suitable for use at the property level than at the corporate level (Schmidgall & DeFranco, 2023);
- USALI defines industry norms (Harris & Brown, 1998);
- USALI can be adapted for use by large and small hotels (Schmidgall & DeFranco, 2023);
- USALI is a model for other segments of the hospitality industry (Schmidgall & DeFranco, 2015);
- The expansion of international hotel chains led to the introduction of USALI (Ivankovic, et al., 2001), (Gomez, 2012), (Santos, et al., 2013);
- USALI facilitates the presentation of segmented information, which is important for decision-making and is internationally regulated by IFRS 8 "Operating Segments" (Gomez, 2012).

Based on the expressed opinions, we could conclude that the expansion of international hotel chains led to the widespread application of the Uniform System of Accounts for the Lodging Industry, which serves as a standardized accounting system, acting as a guide for financial specialists and other interested parties, and contributes to the creation of unified operating reports. The goal pursued by USALI is to provide an accounting model that can be easily adapted by hotels of different sizes and categories, while simultaneously being useful for both internal and external users and allowing for comparison between hotels located even in different countries, taking into account the unique operating environment of the hospitality industry.

3. Analysis of Key Changes in the USALI 12th Revised Edition

In 2018, the HFTP organization acquired the copyrights to USALI from the Hotel Association of New York City. To develop the content of the twelfth revised edition, a joint committee between HFTP and AHLA was established, named the "Global Finance Committee" (GFC). The committee includes highly qualified industry representatives from around the world – hotel owners, general managers, hotel management companies, franchising organizations, academics, consultants, certified public accountants, making USALI a truly international standard. The aim is to maintain a balance among the members of each of these segments, which contributes to feedback and the expression of different viewpoints. The participants are characterized as "people who share a deep understanding of the strengths, complexities, and constant evolution of the lodging industry. They embrace the challenges often faced by hospitality finance professionals and collectively seek pathways that can share sustainable solutions to those challenges" (HFTP, 2024). Raymond Schmidgall and Agnes DeFranco emphasize the precision in selecting representatives for the revision committees, which ensures that "the system undergoes a comprehensive review in terms of its relevance and usefulness to the industry" (Schmidgall & DeFranco, 2015, p. 79). The twelfth revised edition of the Uniform System of Accounts for the Lodging Industry will come into effect on January 1, 2026.

The twelfth edition of the Uniform System of Accounts for the Lodging Industry is structured into six sections. This analytical review will limit itself to a critical examination of the substantial modifications introduced within these sections, considering their impact on the practices for managing and analyzing financial information in the hospitality industry.

The "Operating Statements" section focuses on providing information addressed to internal stakeholders – managers, employees, and owners. This section systematizes the requirements for the form and content of reports relevant to each department, ensuring a comprehensive view of operating results. The proposed statements, although developed for full-service accommodations, demonstrate adaptability to other types of properties by eliminating inapplicable items. A crucial aspect is adherence to the USALI standard, which does not permit the addition or replacement of revenue and expense items, ensuring consistency and comparability.

Central place is occupied by the "Summary Operating Statement," which is constructed in two versions tailored to the different perspectives of operators and owners. Up to the "Earnings Before Interest, Taxes, Depreciation, and Amortization" (EBITDA) line, both versions of the statement follow an identical structure. Differences arise after this line, where the operator's statement introduces a "replacement reserve," leading to the calculation of "EBITDA minus replacement reserve." In contrast, the owner's statement deducts expenses for "interest, depreciation, amortization, and income taxes" instead of the "replacement reserve" to arrive at the final metric – "net income."

The overall goal of both versions of the "Summary Operating Statement" is to provide transparent and detailed information about operating results, facilitating comparative analysis between different properties. This standardized methodology is essential for making informed decisions and evaluating financial performance in the accommodation sector.

Within this section, sixteen schedules are included, providing exhaustive information on the items contained in the "Summary Operating Statement." This report focuses on analyzing selected, significant changes in these schedules.

In the context of the current edition of USALI, Schedule 1 "Rooms" undergoes key changes aimed at improving the accuracy and transparency of financial reporting. In the revenue section, refined definitions are introduced, accounting for the difference between "discount sales," "retail and wholesale," as well as clearly defining the mix of distribution channels, allowing for a more adequate analysis of revenue sources. Furthermore, the principle of aggregating "other rooms revenue" into the total rooms revenue when calculating the Average Daily Rate (ADR) is established. Regarding the expense section, a new item "Loyalty Program Member Benefits" is introduced, covering the costs of providing services and amenities within loyalty programs, including concierge, food and beverage, labor, and accounting for loyalty points upon service waiver. These changes contribute to a more detailed and accurate reporting of operating results in the "Rooms" department and facilitate the analysis of loyalty program effectiveness.

As a result of the proliferation of loyalty programs in the hospitality sector, the twelfth edition of USALI introduces Auxiliary Schedule 1.1 "Executive Lounge." This new schedule is designed for reporting expenses related to the operation of an Executive Lounge – a specialized space accessible to loyalty program members and guests who have booked specific room types. If expenses are significant, they are allocated proportionally between the Executive Lounge operating expenses and the loyalty program expenses in the "Rooms" department. The allocation is based on criteria such as the number of guests accessing the lounge for a fee or as part of the loyalty program, aiming to achieve zero net recovery. This procedure allows owners and operators to perform a precise assessment of the costs and benefits arising from the operation of the Executive Lounge. In cases where expenses are not significant, they are included in the total loyalty program expenses.

Within the revised twelfth edition of the Uniform System of Accounts for the Lodging Industry, Schedule 2 "Food and Beverage" has undergone transformation. As a key change, items related to "minibar food and beverage" have been transferred to the "Other Operated Departments" section, aiming for a more accurate distinction of revenue streams. Improvements are also observed in the methodology for reporting revenues and expenses related to "food and beverage" services, especially in the context of hotels with conference centers. Additionally, the terminology used in the schedule has been refined and further clarified to eliminate ambiguities and enhance the accuracy of financial reporting. This includes clearer definitions of concepts such as "banquet service surcharges" and "commission expenses."

The twelfth edition of the Uniform System of Accounts for the Lodging Industry undertakes measures to increase precision in reporting "Other Operated Departments" by refining essential definitions. In the context of Schedule 3, the following key clarifications of the term "operated department" have been introduced. An operated department should generate revenue, have direct expenses (for salaries, products, and other operating expenses), and aim to generate profit or minimize losses. When a property generates revenue and additional expenses without hiring employees, the department is classified as a "minor operated department."

To standardize financial reporting practices in the hospitality industry, the twelfth edition of USALI introduces updates to Schedule 4 "Miscellaneous Income." Specifically, guidance regarding the reporting of items such as "extraordinary cleaning fees" and "resort fees" has been expanded and improved, allowing financial specialists to reflect miscellaneous revenue streams more accurately and consistently.

To optimize the management of administrative and general expenses, the twelfth edition of USALI introduces significant changes to Schedule 5. A key change is the splitting of the "Human Resources" account into two separate accounts: "Human Resources – Recruitment" and "Human Resources – Employee Relations," allowing for more detailed tracking and control of human capital-related costs. Additionally, an account for "Service Recovery" has been introduced, and guidance on provisions for doubtful accounts has been expanded, contributing to more effective management of financial resources and risks.

To improve the precision of financial reporting and adapt to the dynamics of digital marketing, the twelfth edition of USALI introduces changes to Schedule 7 "Sales and Marketing." These changes include refining terminology, such as replacing "media" with "advertising – print, radio, and television," and structuring the "loyalty programs" account by adding a separate category for promotional activities. This allows for the differentiation of loyalty point costs generated by various marketing initiatives. Furthermore, new categories reflecting modern digital tools, such as social networks and paid advertising formats, which have become an integral part of the marketing strategy of hospitality enterprises, are introduced.

In response to the growing importance of environmental sustainability in the hospitality industry, the twelfth edition of USALI introduces changes to Schedule 9, dedicated to resource management. The schedule, previously named "Utilities," has been renamed "Energy, Water, and Waste" to more adequately reflect the focus on environmental aspects. Additionally, four subcategories have been introduced: energy, water, waste, and contract services, aiming for more detailed tracking and analysis of costs. These amendments facilitate the

monitoring of resource consumption, encourage compliance with environmental regulations, and support hotels in their efforts to reduce their environmental footprint.

To refine the classification of non-operating income and expenses, the twelfth edition of USALI introduces amendments to Schedule 11. Specifically, rental income generated by the owner, for example, from leasing space for mobile operator antennas, has been added. Expenses incurred before the hotel opening are included in the "Other Expenses" category. These changes aim for more accurate and detailed reporting of non-operating activities.

Schedule 15, titled "Full-Time Equivalent," represents a significant innovation aimed at a more in-depth analysis of labor costs in the hospitality sector. Given that labor is among the most substantial expense items in hospitality, reaching up to 40.5% of total property expenses (Schmidgall & DeFranco, 2023, p. 6), precise measurement and analysis of the workforce are critically important. The schedule structures information on the number of employees, recalculated to full-time equivalent (FTE), by individual departments. This allows for detailed tracking of employment and labor resources across the different functional areas of the hotel.

$$FTE = \frac{\text{Total (or Department Number) Number of Hours Worked}}{\text{Number of Hours in Standard Work Week} \times (\text{Number of Days in Period} \div 7)}$$

The schedule records full-time hours, differentiated by management and non-management positions, as well as by specific job roles within the individual structural units. The information is structured to allow tracking of employment dynamics, presenting data for the current period and for the cumulative period since the beginning of the year. Additionally, comparative analysis is provided by including data for budget forecasts and actual values from the previous year. This structure not only allows for monitoring changes in labor costs and comparing them with budget parameters and historical data but also serves as a basis for calculating a wide range of analytical indicators that support informed management decision-making.

Schedule 16 "Annual Brand and Operator Charges" is an innovation within USALI, designed to provide transparency regarding costs arising from commitments to a specific brand¹ or operator². This schedule systematizes costs related to mandatory programs and services required by the respective brand or operator. It is important to note that the schedule is informational and not intended for direct comparative analyses between different hotels. This limitation is due to potential differences in the nature and volume of costs, which could vary significantly depending on the specific conditions of each hotel.

In the context of the updated USALI system, a new section dedicated to hotels operating on an "all-inclusive" (AI) basis is introduced, representing a significant adaptation to the specific operational characteristics of these properties. This section provides a methodological framework for preparing operating statements, schedules, and determining key performance indicators that reflect the peculiarities of AI hotels. A central feature of the AI concept is the package price, which covers accommodation, food, beverages, and entertainment. Since individual consumption of these services varies significantly, allocating costs to traditional reporting departments is difficult. For this reason, USALI requires the mandatory application of the AI format for operating statements for properties with AI package revenues exceeding 50% of total revenues (based on a three-year average) or for newly opened hotels with forecasts exceeding this threshold. Hotels not meeting these criteria continue to report according to the guidelines for European Plan³ hotels. The AI Summary Operating Statement is structured in two versions – for operators and for owners, with identical content up to the EBITDA level, after which differentiated criteria similar to those in the standard summary operating statements are applied. The revenue structure of AI hotels consists of:

- Package services revenue (accommodation, food, beverages, entertainment);
- Non-package services revenue (additional sales);
- Other income (rentals, commissions).
- Operating expenses are classified into four categories:
- Rooms expenses;

¹ The Brand is defined as the organization that contracts for the use of its name, business systems, and trade services to attract customers to the hotel (Hospitality Financial and Technology Professionals, 2024, p. 180)

² The Operator is defined as the organization responsible for overseeing and directing the day-to-day operations, including sales and marketing, guest satisfaction, human resource management, maintaining 1 the books, records, and financial reporting (Hospitality Financial and Technology Professionals, 2024, p. 180)

³ European Plan hotels offer only room rates, as well as opportunities to purchase food, beverages, and other services a la carte or as a package at the guest's discretion (Hospitality Financial and Technology Professionals, 2024, p. 194)

- Food and beverage expenses;
- Entertainment expenses;
- Non-package expenses.

Package profit and non-package profit are calculated according to specific formulas adapted to the AI model. The remaining elements of the statements comply with the general standards regulated in USALI.

The third section of USALI, titled "Other Reporting Guidelines," represents a substantial addition aimed at providing detailed guidance on specific aspects of financial reporting in the hospitality sector. Within this section, various cases requiring a specialized reporting approach are examined, decision-making schemes for reporting are offered, guidelines for gross versus net reporting, treatment of service charges and gratuities, additional fees, government subsidies, lease accounting, etc., are discussed.

"Financial Statements" is the fourth section, which aims to present information to external users through the financial statements. The format and level of detail of these primary financial statements should be designed to meet the owner's need for financial information, while remaining consistent with US Generally Accepted Accounting Principles (US GAAP), but now with reference to IFRS.

The fifth section of USALI, "Ratios, Statistics, and Supplemental Schedules," is extremely important for the analysis and evaluation of the hospitality business. It is designed to provide managers and other stakeholders with standardized and detailed tools for analyzing financial and operational results. Therefore, the fifth section of USALI is an essential tool for financial and operational analysis in the hospitality sector, providing a framework for effective management and performance evaluation.

The sixth section, titled "Expense and Revenue Guide," is intended to assist users in classifying various revenue and expense items in accordance with the Uniform System of Accounts for the Lodging Industry. An innovative aspect of the current edition is the introduction of a searchable database of relevant terms, accessible on the USALI website (usali.hftp.org). The purpose of the guide is not to provide an exhaustive list of all possible items but to direct users to the correct classification in cases where a specific item is not explicitly listed in the guide.

4. Conclusion

The twelfth edition of USALI reflects the dynamics and evolution of the hospitality industry, introducing significant changes aimed at increasing transparency, accuracy, and comparability, with the main goal of better-informed decision-making. Updates in operating statements, schedules, and other reporting guidelines reflect contemporary trends in hospitality, such as loyalty programs, digital marketing, and sustainable development. Each new edition of USALI takes into account the existing needs of internal and external users of information, which contributes to its ever-wider use worldwide.

Literature

- Campos, F., Santos, L., Gomes, C. & Cardoso, L., 2022. Management Accounting Practices in the Hospitality Industry: A Systematic Review and Critical Approach. *Tourism and Hospitality*, 3, pp. 243-264.
- Field, H., 2022. The Evolution of Hotel Accounting. A Century of History of the Uniform System of Accounts for the Lodging Industry (USALI). [online]
Available at: <https://www.hftp.org/downloads/documents/usali/resources/evolution-of-hotel-accounting.pdf> [Accessed: 18 02 2025]
- Georgiev, D., 2016. Applying the Uniform System of Accounts for the Lodging Industry (USALI) for the Purposes of Financial and Management Accounting (in Bulgarian). *Izvestiya*, 60(2), pp. 159-172.
- Gomez, A., 2012. The Uniform System of Accounts for the Lodging Industry and XBRL: in Development and Exchange of Homogeneous Information.: M. e. al., Research Studies on Tourism and Environment. New York: Nova Science Publishers, Ivc., pp. 269-279.
- Haktanir, M., 2006. Performance measurement in independent hotels.: P. Harris & M. E. Mongiello, Accounting and Financial Management. Developments in the international hospitality industry. Oxford: Butterworth-Heinemann is an imprint of Elsevier, pp. 3-21.
- Harris, P. & Brown, J., 1998. Research and development in hospitality accounting and financial management. *International Journal of Hospitality Management*, 17, pp. 161-181.
- HFTP, 2024. Hospitality Financial and Technology Professionals. [online]
Available at: <https://usali.hftp.org/committees> [Accessed: 19 02 2025].
- HFTP, 2024. Uniform System of Accounts for the Lodging Industry. 12th Revised Edition United States of America: Hospitality Financial and Technology Professionals An International Association.
- Ivankovic, G., Klobucar, N. & Vidic, D., 2001. Possibilities and limitations for the introduction of the USALI standard in the Slovene hotel companies. *Tour. hosp. manag.*, 7(1-2), pp. 87-102.
-

- Kosarkoska, D. & Mircheska, I., 2012. The main process in the international financial reporting at the beginning of 21st century. *Procedia - Social and Behavioral Sciences*, 44, pp. 241-249.
- Santos, L., Gomes, C. & Arroteia, N., 2012. Management accounting practices in the Portuguese lodging industry. *Journal of Modern Accounting and Auditing*, 8(1), pp. 1-14.
- Santos, L., Gomes, C., Arroteia, N. & Almeida, P., 2013. Management accounting in Portuguese hotel enterprises - update research. Helsinki, Finland, 15th International Conference of Global Business and Technology.
- Schmidgall, R., 2014. Evolution of the Uniform System of Accounts for the Lodging Industry. *Journal of Hospitality Financial Management*, 22(1), pp. 41-57.
- Schmidgall, R. & DeFranco, A., 2015. Uniform System of Accounts for the Lodging Industry, 11th Revised Edition: The New Guidelines for the Lodging Industry. *Journal of Hospitality Financial Management*, 23(1), pp. 79-89.
- Schmidgall, R. & DeFranco, A., 2023. Hospitality industry managerial accounting. 9th ed. USA: American Hotel & Lodging Educational Institute.
- Schmidgall, R. S., 2016. Hospitality Industry Managerial Accounting. AHLEI American Hotel & Lodging Educational Institute. USA: Eight editions.