SHIVAJI UNIVERSITY, KOLHAPUR

CENTRE FOR DISTANCE AND ONLINE EDUCATION

B. Com. Part-II

Semester-III

Hotel Accounting

(In accordance with National Education Policy 2020)
(Implemented from the Academic Year 2025-26)

Unit 1

Accounting for Restaurants

(Providing various dishes other than Meals)

Index -

1.0 Objectives :

After studying these unit you will be able to,

1. Understand the accounting process followed in restaurant
2. Explain different ledgers , compute cost of production
3. To find the relationship between various accounting elements such as purchases, sales, stock, wastage, and profit in restaurant operations.

1.1 Introduction :

Food and beverage establishments involve higher specialized food and beverage companies other than typical meal-serving restaurants. For example, there are businesses that are dedicated to providing you with snacks, beverages, bakery products, desserts, fast food items, and some other ready-to-eat items, that are not considered a meal. The accounting consideration of these types of restaurants requires a specialized accounting approach because they have a higher volume of small transactions as well as high speed of inventory turnover and a greater potential for wastage of materials.

Accounting is an important factor for these types of restaurants to know what they are spending over time on food and beverage costs as well as keeping track of their profits or losses. Accounting is important for financial control, as a measure of profitability, to help manage costs and to ensure that tax requirements (invoices) and other requirements (government regulations) are fulfilled. Accounting involves the day-to-day tracking of transactions related to purchases for ingredients, sales to customers, payment of wages to staff, wastage of products, and stock management. Accounting also involves preparing financial statements such as the Profit and Loss Account along with the Balance Sheet to see how the restaurant performed and its financial position.

In addition, unlike normal restaurants focusing primarily on meals, these businesses may need to process a larger assortment of products, face shorter shelf lives, and deal with products that are not as expensive. This merely emphasizes the importance of accounting for food and beverage businesses. Understanding all of these elements prepares students for the real business situations they will encounter once they join the hospitality or food services industry.

1.2 Presentation of Subject Matter:

1.2.1 Preparation of purchase ledger :

What is a Purchase Ledger?

Meaning of Purchase Ledger :

Definition of Purchase Ledger

A Purchase Ledger (also known as Creditors Ledger) is a subsidiary book or ledger within the double-entry accounting system which records all credit purchases of goods or services by a business and the amounts owed to each supplier.

It is different to the Purchases Account — the Purchase Ledger holds separate accounts for each supplier and records how much the business owes each supplier and all transactions (purchases, payments, returns, and discounts) to each supplier.

Steps to Prepare Purchase Ledger

1) Record the Journal Entry

2) Post to Ledger Accounts

3) At the end closing the account

Purchase Ledger

Dr Cr

Date	Supplier Name	Invoice No.	Description	Quantity	Rate (₹)	Amount (₹)	GST (%)	GST Amt (₹)	Total Amount (₹)

Example:

1) Prepare a Purchase Ledger for the week using the following data:

Date	**Supplier Name**	**Items**	**Quantity**	**Rate (₹)**	**GST %**
01-06-2025	Annapurna Grains	Rice	100 kg	45	5%
02-06-2025	Momin Vegetables	Onion, Tomato, Potato	80 kg	30	——
03-06-2025	Cold Store Ltd	Paneer & Curd	-	6,000	5%

Answer: **Purchase ledger**

Date	**Supplier Name**	**Invoice No.**	**Description**	**Quantity**	**Rate (₹)**	**Amount (₹)**	**GST (%)**	**GST Amt (₹)**	**Total Amount (₹)**
01-06-2025	Annapurna Grains	AG102	Rice	100 kg	45	4,500	5%	225	4725
02-06-2025	Momin Vegetables	MM103	Onion, Tomato, Potato	80 kg	30	24,000	----	----	24000
03-06-2025	Cold Store Ltd	ID104	Paneer & Curd	Lump sum	-	6,000	5%	300	6,300
	Total					34500		525	35025

2) Tasty Bites Restaurant, operating in Rajarmpuri Kolhapur , records the following transactions for June 2025.

On **June 1st,** the restaurant purchased fresh vegetables worth ₹ 2,000 from *Fresh Veg Mart* on credit, with GST applicable at 5%.

On **June 3rd**, the restaurant bought 50 kilograms of chicken from *Meat & More Pvt Ltd* at ₹ 180 per kilogram, again on credit, with 5% GST.

On **June 6th**, it purchased 20 kilograms of butter from *India Dairy Co.* at ₹ 250 per kilogram, also with 5% GST and on credit.

On **June 8th**, due to quality issues, the restaurant returned goods worth ₹ 500 (excluding GST) to *Meat & More Pvt Ltd.*

Finally, on **June 10th**, the restaurant made a payment of ₹ 2,100 via cheque to *Fresh Veg Mart*.

Based on the above information, prepare a P**urchase Ledger in columnar format** for the month of June 2025, showing supplier-wise purchase amount, GST, returns, payments made, and balance payable.

Answer: **Tasty Bites Restaurant**

Journal

Date	Particulars	Debit (₹)	Credit (₹)
Jun 1	Purchases A/c Dr. Input GST A/c Dr. To Fresh Veg Mart A/c	2,000 100	 2,100
Jun 3	Purchases A/c Dr. Input GST A/c Dr. To Meat & More Pvt Ltd A/c	9,000 450	 9,450
Jun 6	Purchases A/c Dr. Input GST A/c Dr. To India Dairy Co. A/c	5,000 250	 5,250
Jun 8	Meat & More Pvt Ltd A/c Dr. To Purchase Return A/c To Input GST A/c	525	 500 25
Jun 10	Fresh Veg Mart A/c Dr. To Bank A/c	2,100	 2,100

Purchase Ledger

Date	Supplier Name	Invoice No.	Description	Purchase Amt (₹)	GST %	GST Amt (₹)	Returns (₹)	Net Payable (₹)	Remarks
01-06-2025	Fresh Veg Mart	FV101	Vegetables	2,000	5%	100	–	2,100	Credit purchase
03-06-2025	Meat & More Pvt Ltd	MM102	Chicken (50kg × ₹ 180)	9,000	5%	450	–	9,450	Credit purchase

06-06-2025	India Dairy Co.	ID103	Butter (20kg × ₹250)	5,000	5%	250	–	5,250	Credit purchase
08-06-2025	Meat & More Pvt Ltd	MM-RET01	Return due to poor quality	–	–	–	525	(525)	Return (incl. GST)
10-06-2025	Fresh Veg Mart	–	Payment by cheque	–	–	–	–	(2,100)	Payment made
	Total			**16000**		**800**	**525**	**14175**	

1.2.2 Sales Ledger :

The **Sales Ledger** is a **subsidiary ledger** which contains individual accounts of **credit customers (debtors)**. It records all credit sales made by a business. It helps track how much each customer owes and when payment is due.

Example. **1) Flavors Restaurant,** a popular multi-cuisine restaurant, often supplies food on credit to corporate offices and nearby hotels. The following credit transactions took place during the month of **June 2025:**

1. June 2 – Credit sale of food items to **Hotel Sunshine** ₹ 12,000
2. June 5 – Credit sale to **Office Delight Pvt. Ltd.** ₹9,000
3. June 7 – **Hotel Sunshine** returned spoiled items ₹ 2,000
4. June 10 – Received ₹ 5,000 from **Hotel Sunshine**
5. June 15 – Additional credit sale to **Hotel Sunshine** ₹ 6,000
6. June 20 – Received ₹ 9,000 from **Office Delight Pvt. Ltd.**
7. June 25 – Allowed ₹ 1,000 discount to **Hotel Sunshine** and received ₹ 10,000
8. June 28 – Credit sale to **Office Delight Pvt. Ltd.** ₹ 4,000

Prepare the **Sales Ledger** for the month of June 2025 showing the individual accounts of **Hotel Sunshine** and **Office Delight Pvt. Ltd..**

Answer :

Sales Ledger

Dr **Hotel Sunshine A/c** Cr

Particular	**(₹)**	**Particular**	**(₹)**
June 2 – Sales A/c (Credit Sale)	12,000	June 7 – Sales Return A/c	2,000
June 15 – Sales A/c (Credit Sale)	6,000	June 10 – Bank A/c (Receipt)	5,000
		June 25 – Discount Allowed A/c	1,000
		June 25 – Bank A/c (Receipt)	10,000
		Balance c/d	0
Total	18,000	**Total**	18,000

Dr. **Office Delight Pvt. Ltd..** Cr

Particular	**(₹)**	**Particular**	**(₹)**
June 5 – Sales A/c (Credit Sale)	9,000	June 20 – Bank A/c (Receipt)	9,000
June 28 – Sales A/c (Credit Sale)	4,000		
		Balance c/d	4000
Total	**13,000**	**Total**	**13,000**

1.2.3 Wastage Account :

In restaurant accounting in India, the Wastage Account is used to track and manage the cost of food and other materials that are discarded due to spoilage, overproduction, or operational inefficiencies. Maintaining this account is essential for evaluating the restaurant's financial performance and identifying opportunities to minimize waste and improve cost control.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
yyyy-mm-dd	To Kitchen Inventory A/c	xxxx	yyyy-mm-dd	By Profit & Loss A/c (Transfer)	xxxx
yyyy-mm-dd	To Store Room Inventory A/c	xxxx			
yyyy-mm-dd	To Dairy Inventory A/c	xxxx			
yyyy-mm-dd	To Cooked Food Overproduction A/c	xxxx			
	Total	**(₹) xx,xxx**		**Total**	**(₹) xx,xxx**

Explanation of Columns:

- **Date:** When the wastage occurred.
- **Particulars:** The account from which the wastage originated (e.g., Kitchen, Dairy, Store).
- **Amount:** The value (cost) of items wasted.
- **Transfer to P&L:** At period-end, the total wastage is transferred to the Profit & Loss Account.

Example:

Moraya Restaurant maintains a Wastage Account to track losses due to spoilage and operational inefficiencies. During the month of **June 2025,** the restaurant experienced the following incidents of wastage:

On **June 5,** vegetables worth **(₹) 1,200** were found spoiled and had to be discarded.

On **June 12,** dairy products including milk and curd expired, resulting in a loss of **(₹) 800**

On **June 20**, a large quantity of cooked food, over-prepared for a party that was later cancelled, was thrown away, causing wastage valued at **(₹) 1,500.**

Lastly, on **June 25,** oil worth **(₹) 500** leaked in storage due to improper packaging.

Prepare the **Wastage Account** for the month of June 2025 and show how the total wastage is transferred to the **Profit and Loss Account.**

Dr **Wastage Account** Cr.

Date	**Particulars (Dr)**	**Amount (₹)**	**Date**	**Particulars (Cr)**	**Amount (₹)**
June 5	To Kitchen Inventory A/c	1,200	June 30	By Profit & Loss A/c	4,000
June 12	To Dairy A/c	800			
June 20	To Food Production A/c	1,500			
June 25	To Store A/c (Oil Leak)	500			
	Total	4,000	Total	4,000	

Example 2:

"Royal Tandoori Restaurant" records the following wastage for the month of May 2025:

1. Vegetables worth (₹) 2,000 spoiled due to refrigeration failure.

2. 5 kg of rice worth (₹) 500 overcooked and discarded.
3. 3 liters of milk worth (₹) 300 expired due to delayed usage.
4. Cookware breakage valued at (₹) 2200 was also written off as wastage.
5. Wastage transferred to Profit & Loss Account at the end of the month.

Prepare **Wastage Account** in the ledger format.

Wastage Account

Dr.					**Cr.**
Date	**Particulars**	**Amount (₹)**	**Date**	**Particulars**	**Amount (₹)**
May 01	To Vegetables A/c	2,000		By Profit & Loss A/c	5000
May 05	To Rice A/c	500			
May 10	To Milk A/c	300			
May 15	To Crockery & Utensils A/c	2,200			
	Total	**5,000**			**5,000**

1.2.4 Wages Account :

Wages Account is a **nominal account** that records all expenses related to wages paid or payable to employees working in the restaurant. These include:

Chefs Waiters, Cleaning staff, Helpers, delivery boys, and other labour

Procedure :

Step	**Activity**	**Accounting Entry**
1	Record wages paid in cash / Bank	Wages A/c Dr. Cash / Bank A/c

2	Record wages outstanding (not yet paid)	Wages A/c Dr. To Outstanding Wages A/c
3	Transfer total wages to Profit & Loss A/c	Profit & Loss A/c Dr Wages A/c

Example :

Mr. Ajay runs a restaurant in Pune. For the month of March 2025, he paid (₹) 40,000 in cash to kitchen staff, (₹) 25,000 to waiters through bank transfer, and (₹) 5,000 was still outstanding as unpaid wages. Prepare the Wages Account in the books of the restaurant using double-entry accounting.

Solution : **Wages Account**

Dr.					**Cr.**
Date	**Particulars**	**Amount (₹)**	**Date**	**Particulars**	**Amount (₹)**
31-3-2025	Cash A/c (Paid in cash)	40000		By Profit & Loss A/c	70000
31-3-2025	Bank A/c (Paid by bank)	25000			
31-3-2025	Outstanding Wages A/c	5000			
	Total	**70000**		**Total**	**70000**

1.2.5 Stock Statement :

A Stock Statement is a detailed report that shows the **quantity and value of items in stock** at a specific point in time. It includes raw materials (like rice, vegetables, oil), semi-finished goods (like marinated items), and finished goods (like bottled beverages or desserts).

Accurate inventory/ Stock tracking is fundamental to the financial health and operational success of a restaurant. Inventory represents a significant asset on the balance sheet and directly influences the cost of goods sold (COGS), which in turn affects the profit margins.

Preparation of Stock Statement:

Designing a Stock statement is essential for efficient restaurant inventory management. A well-structured stock statement helps maintain accurate records, streamline operations, and ensure precise accounting valuation.

Steps to Prepare a Stock Statement:

Steps in Creating a Stock Statement:

1. Decide the Format: You can use either a spreadsheet program (Excel, Google Sheets) or inventory management software.
2. Items List: Prepare a list of all of the item's restaurant inventory ... food, beverage and non-perishable items.
3. Quote: Make an accurate count of items on hand and your stock levels.
4. Unit Price: Use pricing from the most current purchase.
5. Total Value: Multiply the quantity by the unit price for each item.
6. Total Inventory Value: Add the total value from all items to obtain the total inventory value.
7. Look and Ask Questions: Looking at stock statement regularly can help discover when there are differences, concerns about waste or or want to learn about potential previous adjustments.

Stock Statement format

Sr. No.	Item Name	Unit	Opening Stock	Purchases	Total Available	Closing Stock	Quant. Used	Rate per Unit (₹)	Total Consum-ption Cost (₹)
1	Rice	Kg	50	100	150	30	120	50	6,000
2	Chicken	Kg	20	60	80	10	70	200	14,000
3	Cooking Oil	Litre	10	25	35	5	30	120	3,600

4	Vegetables	Kg	40	90	130	20	110	40	4,400
5	Masala/Spices	Kg	15	10	25	5	20	300	6,000
6	Cold Drinks	Bottle	30	100	130	20	110	20	2,200

Example :

Castle Restaurant wants to prepare a **stock statement for the month of May 2025.**

At the beginning of the month, the restaurant had 50 kg of rice, 20 kg of chicken, and 10 litres of oil.

During the month, it purchased 100 kg of rice, 60 kg of chicken, and 25 litres of oil.

At the end of the month, after taking physical stock, the restaurant found 30 kg of rice, 10 kg of chicken, and 5 litres of oil remaining.

The rates were:

- Rice = 50/kg
- Chicken = 200/kg
- Oil = 120/litre

The restaurant wants to find out how much quantity was used and what is the total cost of that usage for the month.

Solution :

Sr. No.	**Item Name**	**Unit**	**Opening Stock**	**Purchases**	**Total Available**	**Closing Stock**	**Quant. Used**	**Rate per Unit (₹)**	**Total Consumption Cost (₹)**
1	Rice	Kg	50	100	150	30	120	50	6,000
2	Chicken	Kg	20	60	80	10	70	200	14,000
3	Cooking Oil	Litre	10	25	35	5	30	120	3,600
	Total								23600

1.2.6 Determination of cost of product :

In the restaurant business, one of the simplest processes involved in running a foodservice business is to determine the cost of a product (or dish) on the menu. Determining the cost means calculating the total cost to produce each menu item so that the cost can be used to determine selling prices, control costs, and ensure profit.

Cost Elements in a Restaurant

Cost of a product in a restaurant includes usually:

a. Direct Material Cost (Food Cost)

This is the cost of raw materials consumed in making the dish.

Examples: Vegetables, rice, paneer, spices, oil, etc.

b. Direct Labor Cost

The wages and salaries of chefs, kitchen attendants and food preparers. Includes only those directly involved in creating the dish.

c. Direct Expenses

gas, electricity, packaging, etc. costs incurred whilst creating the food.

d. Overheads (Indirect Costs)

Covers costs that cannot be apportioned directly to a dish, but have to be a factor in running any restaurant.

Examples: Rent, electricity, water, depreciation, cleaning, administration, etc.

The total cost of production = Direct material cost + Direct labour cost + Overhead costs.

Cost of Production Sheet – For All Dishes (Restaurant Format)

Example :

The following information relates to Gokul restaurant that serves multiple dishes. The restaurant wants to calculate the cost of production and profit earned on each dish sold for 02-06-2025.

You are required to prepare Cost of production for each item based on the data given below:

S. No.	Dish Name	Raw Material Cost (₹)	Labor Cost (₹)	Overheads (₹)
1	Paneer Roll	120.00	20.00	10.00
2	Veg Noodles	60.00	15.00	5.00
3	Masala Dosa	35.00	10.00	5.00
4	Pav Bhaji	100.00	25.00	15.00
5	Veg Sandwich	20.00	5.00	5.00
6	Cold Coffee	15.00	5.00	3.00

Answer :

Restaurant Name: Gokul, Kolhapur

Cost of Production

On Date: 02-06-2025

S. No.	Dish Name	Raw Material Cost (₹)	Labor Cost (₹)	Overheads (₹)	Total Cost (₹)
1	Paneer Roll	120.00	20.00	10.00	150.00
2	Veg Noodles	60.00	15.00	5.00	80.00
3	Masala Dosa	35.00	10.00	5.00	50.00
4	Pav Bhaji	100.00	25.00	15.00	140.00
5	Veg Sandwich	20.00	5.00	5.00	30.00
6	Cold Coffee	15.00	5.00	3.00	23.00
	Total	350.00	80.00	43.00	473

In above cost of production add Profit percentage and determine selling price.

Formulas Used:

- **Total Cost =** Raw Material or material consumed + Labor + Overheads
- **Profit =** Selling Price – Total Cost
- **Profit % =** (Profit ÷ Total Cost) × 100

Example : A restaurant prepared the following dishes during the day. You are required to calculate:

1. **Total Cost** (Raw Material + Labor + Overheads)
2. Add **Profit @30% on Cost**
3. Compute **Selling Price** per dish
4. Show totals at the end.

S. No.	Dish Name	Raw Material (₹)	Labor Cost (₹)	Overheads (₹)
1	Chole Bhature	70.00	15.00	10.00
2	Fried Rice	50.00	10.00	5.00
3	Aloo Paratha Plate	40.00	12.00	8.00
4	Chicken Biryani	120.00	25.00	15.00
5	Cold Drink Combo	20.00	5.00	5.00
	Total	300.00	67.00	43.00

Answer :

S. No.	Dish Name	Raw Material (₹)	Labor Cost (₹)	Overheads (₹)	Total Cost (₹)	Profit 30% (₹)	Selling Price (₹)
1	Chole Bhature	70.00	15.00	10.00	95.00	28.50	123.50
2	Fried Rice	50.00	10.00	5.00	65.00	19.50	84.50

3	Aloo Paratha Plate	40.00	12.00	8.00	60.00	18.00	78.00
4	Chicken Biryani	120.00	25.00	15.00	160.00	48.00	208.00
5	Cold Drink Combo	20.00	5.00	5.00	30.00	9.00	39.00
	Total	**300.00**	**67.00**	**43.00**	**410.00**	**123.00**	**533.00**

Example:

A restaurant named **"Tasty Treats"** operates a kitchen that prepares multiple dishes every day. The owner wants to calculate the **total cost of production** for the month of **May,** using the following information:

❑ **Direct Costs:**

- Opening stock of raw materials (1st May): (₹) 18,000
- Purchases of raw materials during the month: (₹) 70,000
- Closing stock of raw materials (31st May): (₹) 13,000
- Direct wages to kitchen staff: (₹) 25,000
- Cooking fuel and kitchen electricity: (₹) 6,000

❑ **Indirect Costs (Overheads):**

- Rent of premises: [1] 12,000
- Depreciation on kitchen equipment: (₹) 3,000
- Kitchen cleaning & minor maintenance: (₹) 2,000
- Administrative expenses: (₹) 4,000

Solution :

Step 1: Calculate Raw Material Consumed

Raw Material Consumed=Opening Stock+Purchases - Closing Stock = (₹) 18,000+ (₹) 70,000 - (₹) 13,000 = (₹) 75,000 =

Step 2: Calculate Prime Cost

Prime Cost=Raw Material Consumed +Direct Wages +Cooking Fuel

= (₹) 75,000 + (₹) 25,000 + (₹) 6,000 = (₹) 1,06,000

Step 3: Calculate Total Overheads

Overheads=

(₹) 12,000 (Rent) + (₹) 3,000 (Depreciation) + (₹) 2,000 (Maintenance) + (₹) 4,000 (Admin) = (₹) 21,000

Step 4: Total Cost of Production

Total Cost of Productio n= Prime Cost + Overheads =

(₹) 1,06,000 + (₹) 21,000 = (₹) 1,27,000

Cost of Production Statement

Particulars	**Amount (₹)**
Opening Stock of Raw Materials	18,000
Add: Purchases of Raw Materials	70,000
Less: Closing Stock of Raw Materials	(13,000)
Raw Material Consumed	75,000
Add: Direct Wages	25,000
Add: Cooking Fuel and Kitchen Electricity	6,000
Prime Cost	1,06,000
Add: Rent	12,000

Add: Depreciation on Equipment	3,000
Add: Kitchen Maintenance & Cleaning	2,000
Add: Administrative Expenses	4,000
Total Overheads	**21,000**
Total Cost of Production	**(₹) 1,27,000**

1.2.7 Preparation of Profit and Loss account and Balance Sheet :

For restaurant accounting, the Profit and Loss Account (or Income Statement) and the Balance Sheet are two important financial statements, which are prepared at the close of the financial year. These statements assist the restaurant management in evaluating the restaurant's financial performance and position.

The Profit and Loss Account is prepared to ascertain the net outcome of the business operations during a given time period, typically a year. It accounts for all the revenues and expenditures incurred by the restaurant business. On the CREDIT side, it accounts for revenues like food and beverage sales and closing stock (unspent inventory). On the DEBIT side, it accounts for cost of raw materials used (opening stock + purchases - closing stock), wages, salaries, rent, fuel (LPG), electricity, maintenance, and other regular operating costs. The end result is either a Net Profit, if income is more than expenses, or a Net Loss, if expenses are more than income. This net result is posted to the capital account in the balance sheet.

Once the Profit and Loss Account is prepared, a Balance Sheet is prepared to reflect the financial position of the restaurant on the closing date of the financial year. The Balance Sheet is divided into two sides — Liabilities and Assets. Under the liabilities side, we record the capital (profit/loss adjusted as well as drawings adjusted), outstanding expenses, and creditors, loans and advances. Under the assets side, we record cash in hand, bank balances, closing stock of raw materials, furniture and kitchen equipment (after depreciation), other fixed assets, debtors, and any prepaid expenses.

The Balance Sheet guarantees that the accounting equation (Assets = Liabilities + Capital) is preserved. Combined, these financial statements present a clear view of the restaurant's financial well-being, profitability, and viability and enable stakeholders to make wise decisions.

Example :

The following balances were taken from the books of "Delicious Dine Restaurant" for the year ending 31st March 2024:

You are requiring to prepare profit and loss account and balance sheet.

Particular	**Amount (₹)**	**Particular**	**Amount (₹)**
Particulars	Amount (₹)	Particulars	Amount (₹)
Capital	2,00,000	Salaries	40,000
Cash in Hand	20,000	Rent	24,000
Bank Balance	30,000	Electricity Charges	10,000
Opening Stock	40,000	Gas and Fuel	15,000
Purchases	1,50,000	Miscellaneous Expenses	5,000
Sales	3,50,000	Furniture and Equipment	60,000
Wages	30,000	Drawings	10,000
		Closing Stock50,000 (as on 31.03.2024)	

Answer : **Profit and Loss Account**

Particular	**Amount (₹)**	**Particular**	**Amount (₹)**
To Opening Stock	40,000	By Sales	3,50,000
To Purchases	1,50,000	By Closing Stock	50,000
To Wages	30,000		

To Salaries	40,000		
To Rent	24,000		
To Electricity Charges	10,000		
To Gas and Fuel	15,000		
To Miscellaneous Expenses	5,000		
To Net Profit (Balancing)	86,000		
Total	4,00,000	Total	4,00,000

Balance Sheet As on 31/03/2024

Particular	**Amount (₹)**	**Particular**	**Amount (₹)**
Capital	2,00,000	Cash in Hand	20,000
Add: Net Profit	86,000	Bank Balance	30,000
Less: Drawings	(10,000)	Furniture and Equipment	60,000
Adjusted Capital	2,76,000	Closing Stock	50,000
		Debtors (Assumed)	1,16,000
Total Liabilities	**2,76,000**	**Total Assets**	**2,76,000**

Example :

Mr. Ravi runs a small restaurant. The following balances were taken from his books on 31st March 2025: prepare Trading and profit and loss account and Balance sheet

Particular	Amount (₹)	Particular	Amount (₹)
Capital	2,50,000	Salaries	36,000
Drawings	30,000	Rent	24,000
Sales	4,50,000	Electricity	8,000
Purchases	2,00,000	Furniture	80,000
Opening Stock (Food Materials)	40,000	Cash at Bank	40,000
Wages	50,000	Debtors	30,000
Creditors	20,000	Closing Stock (Food Materials)	60,000
Cash in hand	1,82,000		

Adjustments:

1. Outstanding Rent (₹) 2,000
2. Depreciate Furniture by 10%

Answer :

Trading and Profit & Loss Account for the year ending 31st March 2025

Particular	Amount (₹)	Particular	Amount (₹)
To Opening Stock	40,000	By Sales	4,50,000
To Purchases	2,00,000	By Closing Stock	60,000
To Wages	50,000		
Gross Profit c/d	2,20,000		
Total	**5,10,000**	**Total**	**5,10,000**

Profit & Loss Account for the year ending 31st March 2025

Particular	Amount (₹)	Particular	Amount (₹)
To Salaries	36,000	By Gross Profit b/d	2,20,000
To Rent	24,000		
Add: Outstanding Rent	2,000		
To Electricity	8,000		
To Depreciation on Furniture (10%)	8,000		
Net Profit transferred to Capital A/c	**1,42,000**		
Total	**2,20,000**	**Total**	**2,20,000**

Balance Sheet as on 31st March 2025

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital	2,50,000	Furniture 80,000 Less: 10% Dep. 8,000	72,000
Add: Net Profit	1,42,000	Closing Stock	60,000
Less: Drawings	-30,000	Debtors	30,000
	3,62,000	Cash at Bank	40,000
Creditors	20,000	Cash in hand	182000
Outstanding Rent	2,000		
Total	**3,84,000**	**Total**	**3,84,000**

1.2.8 Guidelines for On-Field Practical in Restaurant/Hotel Accounting :

Objective of Practical

To enable students to:

- Understand real-life accounting practices in restaurants and hotels.
- Collect actual business data from nearby units.
- Prepare Profit & Loss Account, Balance Sheet, and an analytical report.
- Compare theoretical knowledge with practical application.

Step-by-Step Guidelines: Following steps follow for preparation of report

Step 1: Select a Business:

- Choose a restaurant, canteen, hotel, in your neighbourhood.
- Prefer a small or medium-sized business where the owner is willing to share data.

Step 2: Take Permission

- Politely approach the owner/manager.
- Explain it is for **educational purposes only.**
- Ensure confidentiality of data if required.
- Take written/verbal permission to collect data.

Step 3: Prepare a Questionnaire

Design a simple list of questions to collect basic accounting data, such as:

❖ **General Information:**

- Name of business, owner
- Type of business (hotel/restaurant)
- No. of employees
- Years in operation
- Whether they maintain books of accounts

❖ **Income Details:**

- Monthly/weekly Sales
- Other Income (e.g., events, catering)

- ❖ **Expense Details:**
  - Purchases (raw materials, groceries)
  - Wages and salaries
  - Rent, electricity, water
  - Misc. expenses (gas, packaging, cleaning)
- ❖ **Assets and Liabilities:**
  - Cash, furniture, kitchen equipment
  - Creditors, outstanding bills, loans
- ❖ **Inventory:**
  - Opening and closing stock of raw materials (flour, oil, etc.)
- ❖ **Other information which is require for preparation of Final Account**

Step 4: Collect the Data

- Visit the place 1–2 times as needed.
- Fill in the questionnaire.
- Collect available bills or notes if possible.
- Ask about **monthly totals** or even **estimates**, if books are not maintained.

Step 5: Prepare Final Accounts

Using the collected data:

- Prepare a **Trading and Profit & Loss Account**
- Prepare a **Balance Sheet**
- You can use either:
  - o Monthly data (and show monthly P&L)
  - o OR extrapolate to annual, if owner provides average data

Step 6: Write a Report

General Structure of the report:

1. Introduction

o Purpose of on-field practical

o Details of the business visited

2. Methodology

o How data was collected (interviews, observation, etc.)

3. Collected Data Summary

o Income, expenses, assets, liabilities

4. Final Accounts

o Attach P&L and Balance Sheet with proper format

5. Findings and Suggestions:

Analysis: profit trend, expenses comparison, cost-saving. Give suggestions for hotel or restaurant you choose and overall suggestions.

6. Conclusion: What you learned from these and Challenges faced during the visit.

1.3 Summary:

Restaurants offering items other than regular meals—like snacks, bakery items, rolls, juices, etc.—require a structured accounting system to track purchases, sales, expenses, and profits effectively. By maintaining accurate records such as purchase and sales ledgers, wastage accounts, and stock statements, the business can prepare reliable Profit and Loss Accounts and Balance Sheets. This process aids in effective cost control by monitoring material usage and minimizing waste. It also facilitates profit analysis by comparing revenues with expenses, and supports business planning by providing essential financial data for decision-making and pricing strategies.

1.4 Terms to Rember :

Purchase Ledger: Purpose: Records all purchases of raw materials like vegetables, flour, oil, dairy, etc.

Format: Double-entry system (debit: purchases, credit: creditors or cash)

Used for: Tracking vendor-wise payments and outstanding dues.

Sales Ledger

Purpose: Records daily sales of items like sandwiches, juices, etc.

Format: Credit entries for each product sold; may also include GST or discounts

Helps in: Analysing high-selling items and total revenue.

Wastage Account

Purpose: Records cost of spoiled, overcooked, expired, or wasted items.

Helps in: Controlling inventory loss and improving kitchen efficiency.

Wages Account: Purpose: Records salaries and daily wages of chefs, helpers, servers. Classification: Direct wages (for cooking) go to Trading A/c Indirect wages (cleaning, service) go to P&L A/c

Stock Statement: Purpose: Shows value of raw material and finished goods on hand. Includes: Opening stock, Add: Purchases Less: Closing stock Helps in: Cost of goods sold calculation.

Cost of Product: Raw material cost + Direct labor + Overheads

Used for: Pricing decisions, menu costing, profit margin analysis.

Profit & Loss Account

Purpose: Summarizes revenue and expenses to calculate net profit.

Format: Trading A/c → Gross Profit

o P&L A/c → Net Profit after indirect expenses

Balance Sheet: Purpose: Presents the financial position on a specific date.

Format: Assets: Cash, furniture, stock, receivables

o Liabilities: Capital, creditors, outstanding expenses

1.5 Referances for further study :

1) Dr. Ritu Soni : Research Paper on Domestic Accounting System, Indian Journal of Accounting, Vol. XLIX (1) June,2017 p.p.48-58

2) Ministry of Tourism, Study Material Hotel Accountancy, Government of India

3) Shukla M.C. ,Grewal T.S. & Gupta S. C. (1960) : Advanced Account, S. Chad And Company Ltd. , New Delhi

4) Dr. S. N. Maheshwari & Dr. S. K. Maheshwari : Corporate Accounting , Vikas Publishing House Pvt. Ltd.

♦♦♦

Unit 2

Accounting For Hotels

(For Providing Meals Only)

Index -

2.0 Objectives :

After studying these unit you will be able to,

1. To uderstand the nature of hotel business.
2. To identify the different heads of revenue and expenditure of a hotel business.
3. To get the familiar with various terms used specifically hotel business.

4. To understand the system of book keeping of Hotel Accounting.

2.1 Introduction :

The hotel industry in India has a rich history that dates back to ancient times, but it truly began to take shape in the modern sense during the colonial period. The origin of the hotel industry in India cannot be traced to a definitive point of time, there is evidence of its presence even during the Indus Valley Civilization and Vedic Era. In olden days, travel was predominantly undertaken for pilgrimage and trade. Ancient texts and literature have many references to travel and the provision of accommodation facilities for traveling pilgrims and traders by the authorities of those days.

The beginning of the hospitality sector in India stands rooted in the Hindu philosophy of '*atithi devo bhava*', implying that an unannounced guest is to be accorded the status of God. There is evidence of accommodation facilities for travellers and guests, though not as organized as we see them today. The lodging houses during those times were known as Dharamshala. With the help of local residents, the financial assistance from the rulers, zamindars, or other influential people, permanent structures of Dharamshalas, monasteries and caravanserais were built to provide shelter and food to travellers. These become the places of lodging and boarding to the travellers here they were provided with a safe place to relax and spend the night.

Record of many foreign visitors and philosophers who came to India speak highly of the hospitality facilities. Famous Chinese scholars Fan Hien (AD 399-424) and Huein Tsang (AD 629-643), who came during the reigns of Chandragupta Vikramaditya and Harshvardhana respectively, have mentioned the existence of shelters for travellers.

In the medieval era, between the eleventh and thirteenth centuries, many *sarais* and *musafirkhanas* were built, primarily as resting places for messengers of the postal system established by the Sultans of Slave or Mamluk dynasty. The Mughals continued the practice and built many such *sarais* to accommodate travellers.

The organized existence of the hotel industry in India started taking shape during the colonial period, with the advent of Europeans in the seventeenth century. The early hotels were mostly operated by people of foreign origin to cater to the needs of the European colonizers and later officials of the Raj. During this period, many grand colonial-style hotels were built to accommodate British officials, traders, and tourists.

Among the first such properties were taverns like Portuguese Georges, Paddy Goose's, and Racquet Court, which opened in Bombay between 1837 and 1840. In the fifties of 19^{th} century more respectable hotels like Hope Hall Family Hotel began to make an appearance. Until 1900, almost all hotels were constructed and run as per Western traditions. The first Indian style hotel was 'Sardar Griha', which opened in 1900, and 'Madhavashram' in 1908. The two world wars brought a fresh lot of hotels in Mumbai, an important port city of the times.

Post-independence, there were big leaps in the hotel trade in the country. The Oberoi Group of Hotels and the Taj Group took over several British properties, maintained high standards of services and qualities, and expanded their business overseas. Since next decades corporate sector joined the hotel industry. Over the last few decades, various well-known international hotel chains have come to India. The government played a pivotal role in the development of the industry, particularly through the establishment of the India Tourism Development Corporation (ITDC) in 1966, which promoted and managed hotels across the country.

In the recent years, various types of hotels are established considering the needs not only of the travellers but also of residents. It includes very small tea houses to star hotels. Now one can find various types of hotels on every road, near S. T. Stands and Railway Stations, rather at every corner of the towns and cities and also in villages.

2.2 Hotel Accounting :

Today, big and medium size hotels are using technology (software) for recording their transactions. Some hotels are using technology for taking orders from customers and billing. Some hotel owners are maintaining their accounts either using computer technology or manually. However, there are thousands of small hotels which are even not recording their transactions properly, though it is very essential to know the business results and financial position, as they can't afford the cost of maintaining accounting records.

Hotel Accounting is the application of accounting principles to the hotel industry. It refers to the process of recording, classifying, summarizing and analyzing all financial transactions that taken place in hotel business. It helps hotel management in controlling cost, profit maximization and proper financial management of hotel operations.

The main aim of introducing the paper on Hotel Accounting is students should understand the nature of hotel business, the transactions taking place in the business and recording the financial transactions properly in the books of accounts. It is expected that students should learn the accounts of hotels where these are properly maintained and prepare the accounts where these are not maintained by collecting the information about the transactions.

In practice, most of the small hotel owners are not maintaining proper books of accounts. They are maintaining their own diary for a particular period of time for their reference only. Such diaries also are not kept in record for a long period of time. As their income is less than the taxable income, they are not filing Income Tax Returns. Almost all Indian Businessmen don't want to disclose their real income. This is their mentality and psychology. Small hotel owners are not exception to this. They also try to keep secret their actual income from the business. So, students will not get the accounting data readily. They have to try to get as much information as possible from the hotel owner and employees and by using their communication skill and from this incomplete information and data, they have to prepare required accounts. While preparing such accounts, they have to use their accounting knowledge, as well as, general knowledge of the hotel business to make the figures realistic and convincing. They have to use 'Matching Concept' practically so that, balance sheet will be 'Tally'. This is really challenging. You will get a best experience on field visit, while collecting data and also while preparing the accounts of the hotel that you have selected.

Generally, the following accounting records are expected to be maintained by small hotels. Students have to study these accounting records and prepare for their 'Field Project Report' from the information and data collected from the selected hotel.

1. Purchase Ledger and Purchases A/c
2. Sales Ledger and Sales A/c
3. Statement of Wastages
4. Statement of Wages
5. Statement of Expenses
6. Statement of Stock

7. Statement of Cost of Product

8. Assets A/c or Statement of Deadstock

9. Statement of Personal Loans & other Current Liabilities

10. Capital A/c

11. Cash and Bank A/c

12. Trial Balance

13. Trading and Profit and Loss A/c

14. Balance Sheet.

2.2.1 Purchase Ledger and Purchases A/c :

2.2.1.1 Purchase Ledger :

A purchase ledger is a ledger in which all the accounting transactions related to the purchase of goods or services during a period are recorded, showing the lists of the purchases along with the amount.

A purchase ledger records all business transactions relating to the purchase of goods and services. It provides detailed information about each purchase, which is later aggregated and posted to a control account in the general ledger.

A Purchase Ledger is a part of the accounting system that records all transactions related to credit purchases made by a business. It is also called the Creditors Ledger or Accounts Payable Ledger. It keeps records of amounts owed to suppliers (creditors) for goods or services bought on credit. It is a subsidiary ledger that supports the Purchase Ledger Account. A separate account is opened for each supplier in the purchase ledger.

Purchase Ledger records invoices received from suppliers, tracks payments made to suppliers, shows the outstanding balance payable to each supplier at one particular time and helps in preparing the trial balance and financial statements.

2.2.1.2 Purchase Account :

A Purchase Account is a nominal account in accounting that records all goods purchased by a business for resale (in case of trading business) or for production (in case of manufacturing business). It includes all purchases i.e. cash purchases and credit purchases.

Diûerence between Purchase Ledger and Purchase Account

Basis	Purchase Account	Purchase Ledger
Type	Nominal Account	Subsidiary Ledger
Records	Total value of goods purchased (cash + credit)	Individual supplier-wise details of purchase
Purpose	To calculate cost of goods purchased	To track amounts payable to creditors
Final Statement	Appears in Trading A/c	Amount payable appears in Balance Sheet under Current Liabilities
Nature	Expense	Liability

The form of Purchase ledger is as below –

Purchase Ledger

Date	Name of the Supplier	Name and Description of goods Purchadse	Quantity	Rate	Total Price	CGST	SGST	Total Amount	Remark

I) Purchase Ledger of the hotels providing meals –

Generally, the following goods are purchased in the hotels providing meals.

A) Grains and grain products – Rice, groundnuts, *atta*, wheat semolina, rice semolina, wheat flour, rice flour, Sorghum (Jawar flour), Pearl Millet flour (Bajra), Finger millet flour (Nachni)

B) Spices - Cumin seeds (Jeera), Mustard seeds (Rai/Sarson), Coriander seeds

(Dhania), Fennel seeds (Saunf), Fenugreek seeds (Methi dana), Black pepper (Kali mirch), Cloves (Laung), Green cardamom (Elaichi), Black cardamom (Badi Elaichi), sesame, chutney, red and green chili, garlic, ginger etc.

C) Vegetables

Leafy Vegetables - Spinach (Palak), Fenugreek leaves (Methi), Amaranth leaves (Chaulai), Mustard greens (Sarson), Curry leaves (Kadi patta), Coriander leaves (Dhania patta), Mint leaves (Pudina), Lettuce, Cabbage, Spring onions

Root & Tuber Vegetables - Potato (Aloo), Carrot (Gajar), Beetroot, Radish (Mooli), Onion, Garlic, Ginger

Fruit Vegetables – Tomato, Brinjal / Eggplant (Baingan), Capsicum / Bell peppers (Shimla mirch), Green chili, Bottle gourd (Doodhi) Ridge gourd (Bhopala), cucumber

Other Common Vegetables - Cauliflower (Phool gobi), Broccoli, Green beans (French beans, Cluster beans/Guar, Broad beans/Val), Peas (Matar), Corn / Sweet corn / Baby corn, legumes (Shevaga), Lady's finger (Bhindi), Lotus stem (Kakdi), Mushroom

D) Edible oils of groundnuts, sunflower, mustard, sesame, flax etc.

E) Milk and Milk Products – Milk, curd, buttermilk, paneer, ghee, butter etc.

F) Fruits – Lemon, coconut, cashew, raisins / kismis, almond etc.

G) Cereals or products of cereals – lentils, Urad dal, roasted gram dal, pea, tur dal, moong, moong dal, etc.

Instructions :

1. *Students should prepare blank proforma of purchase ledger and collect the details from the owner or employee of the hotels regarding credit purchase of these materials.*
2. *Collect the information about cash purchases of these materials.*
3. *Prepare Purchases Account considering credit purchases from purchase ledger and cash purchases.*

2.2.2 Sales Ledger and Sales A/c :

2.2.2.1 Sales Ledger -

A Sales Ledger is a book in accounting that contains detailed information about all credit sales made by a business to its customers. It is also called as Debtors Ledger or Accounts Receivable Register. It is a subsidiary ledger that supports the general ledger by providing detailed, customer-wise information about amounts due.

It Records all credit sales of goods/services to customers, customer-wise balances and track payments received, outstanding dues, and overdue accounts. Each customer has a separate account in the sales ledger, so, it helps for preparing the Debtors Account

Sales Ledger

Date	Name of the Customer	Name and Description of Dishes	Quantity	Rate ₹	Total Price ₹	Remark

2.2.2.2 Sales Account :

A Sales Account is a nominal account in the general ledger that records the total value of goods or services sold by a business during a particular period. It shows the revenue earned from sales, whether they are made on cash or credit.

It records total sales revenue i.e. both cash sales and credit sales. The balance of the Sales Account is transferred to the Trading Account.

Comparison between Sales Ledger and Sales Account

Basis	Sales Ledger	Sales Account
Type of record	Subsidiary ledger (part of books of accounts)	General ledger account (nominal account)
Purpose	To keep customer-wise details of	To record total sales revenue

	credit sales and outstanding balances (debtors)	(cash + credit) during an accounting period.
Contents	Contains individual accounts of all credit customers (Debtor's Accounts)	Shows a single account with the summary of all sales transactions.
Record of sales	Records only credit sales (since it tracks debtors).	Records both cash and credit sales.
Nature of balance	Usually shows a debit balance (customers owe money to the business)	Usually shows a credit balance (sales increase income)
Usage	Useful for tracking payments due from each customer and preparing the Debtors Account	Used to calculate Net Sales and transfer to the Trading Account

I) Sales at hotels providing meals

Generally, the following food items are sold in hotels providing meals.

1. Main Staples (Grains & Breads) - Rice (plain, jeera rice, pulao, biryani, fried rice etc.), Chapati, roti, naan, paratha, puri, bhakri, Khichdi, dal khichdi

2. Lentils & Pulses (Dal Varieties) - Dal tadka, dal fry, dal makhani, Sambhar, rasam, Moong dal, masoor dal, chana dal curries

3. Vegetable Dishes - Dry sabzi (aloo jeera, bhendi fry, gobi masala, cabbage fry), Gravy sabzi (paneer butter masala, palak paneer, mixed veg curry, aloo mutter, baingan bharta), Seasonal vegetables (peas, spinach, methi, pumpkin, beans, etc.)

4. Curries & Gravies - Vegetarian curries (kaju curry, veg kolhapuri, veg korma), non-vegetarian curries (chicken curry, mutton curry, fish curry, egg curry), prawn masala, egg masala

5. Meat, Fish & Egg Preparations - Chicken tandoori, butter chicken, chicken biryani, mutton biryani, Mutton rogan josh, mutton sukka, mutton fry, mutton pickles, Fish fry, Omelette, boiled eggs, other non veg food items.

6. Accompaniments - Papad, pickle, chutneys, Curd, raita, buttermilk, salad, Soup (tomato, sweet corn, hot & sour, veg clear, palak, etc.)

7. Desserts & Sweets - Gulab jamun, rasgulla, rasmalai, jalebi, kheer, Ice cream, Halwa, shrikhand, aamrakhand, fruitkhand, different types of basundi, other sweet items etc.

8. Beverages (with meals) - Water, mineral water, Soft drinks, soda, Lassi, chaas, fruit juices etc.

> ***Instructions :***
>
> 1. *In hotel business, there is very less chances of credit sales. It happens only in the case of monthly members or in the case of orders of events or functions. So, students either don't prepare sales ledger or prepare with very few items. Prepare blank proforma of sales ledger (if required) and collect the details from the owner or employee of the hotels regarding credit sales.*
> 2. *Collect the information about cash sales.*

2 Prepare Sales A/c either dish-wise or category-wise or month-wise considering cash and credit sales.

2.2.3 Wastage Account :

In hotel business wastage is the main item of loss. Wastage refers to the loss or unnecessary use of resources, mainly vegetables, food, utilities, and other supplies, that leads to reduced efficiency and higher costs. Wastages is unavoidable part of hotel business. To some extent it can be reduced. But it is not practically possible to avoid wastages fully. Because of inherent nature of materials and prepared food, process of preparation, the way of consumption by customers etc. wastages take place in every hotel.

Types of wastage in hotels:

1. Material Wastage –

a) Wastage during purchase – Generally, materials are purchased in bulk. It may contain defective material which cannot be used. During loading, transportation and unloading some material become unusable or during handling some material spill out.

b) Wastage during storage – Because of perishable nature of the material, some material became obsolete or some portion of the material became obsolete.

c) Wastage during process – Some materials require some process like cutting, peeling etc. In the process some part of the material has to throw out. While cooking some material may waste due to over burning or other reasons.

2. Food Wastage

a) Wastage due to time limit – Some food items are to be served within a specific period of time. If it not served within this time limit due to less demand or for any other reason, it should be thrown out.

b) Wastage during serving – While serving some portion may spill due to one or other reason.

c) Post-consumer wastage - leftovers from guests' plates or buffet counters.

d) Wastage due to overproduction – Sometimes the owner or employee predict that they may get more customers for specific dishes and they prepare more. But it may not happen and the prepared food have to throw out.

3. Beverage Wastage – Due to breakage of bottles, expiry of period, spillage etc. some beverages become unusable.

4. Water Wastage - Excessive use in washing utensils and kitchen equipment, excessive or unnecessary use of water by customers etc, are the reasons of water wastage

5. Wastage of tools, equipment and utensils and other ancillary items – Breakage of cutlery, crockery, cleaning agents, paper supplies, small utensils, towels and other cloths being used for wiping etc. due to improper handling or other reasons.

6. Energy Wastage – Due to leaving lights, fans, air conditioners and kitchen appliances running unnecessarily energy wastage take place

Wastage Account

Date	Name and Description of the Item	Department / Section	Quantity	Value	Reason	Remark

Departments or Sections – Purchase, Storage, Kitchen, Customer Service, Cleaning etc.

Instruction -

Students can prepare Wastage Account individual item-wise like tomato, tea, upma, water, spoons, cup, glass, coca cola, etc. or category-wise like material, food, beverage, tools etc.

2.2.3 Wages Account :

Hotel business is mainly dependent on labour or employees. It requires labour for each part or section of the business i.e. for cooking, servicing, washing and cleaning etc. Small hotels are totally depended upon the labour. Most of the labour don't want to work in small hotels because of heavy work and low dignity. Getting and retaining labour is the main challenge in the business. As the labour turnover is high most of the labour are appointed either on daily wages basis or weekly wages basis. Only cook and main supportive staff are appointed on monthly salary basis. In most of the small hotels the owner or the family members of the owner work as cook and supportive staff. Generally, Cooks, Waiters / Servers, Helpers & Cleaners and Delivery Boys are appointed in small hotels.

No wage or salary structure is followed in such hotels. A consolidated amount of wages for a month / week / day is fixed for each employee considering his skill and experience by the owner. Though wages are fixed for a month or week, it is paid considering the number of days on which the employee was present on the work. Generally, no payment is made for the days when the employee was absent or on leave.

Before preparation of wages account, it is necessary to prepare a detailed statement of wages showing the name of the employee, designation, rate of wages, total amount etc. The owner may prepare separate statements for daily wages workers; weekly wages workers and salaried workers or he may prepare one statement incorporating all types of employees. The following form is suggested for computation of wages of all types of employees.

Statement of Wages

Date	Name of the employee	Designation	Department / Section	Basis of Pay- monthly /weekly daily	Rate of wages per month/ week/ day	No. of day worked	Total Amount of wages	Deductions (for advance/ breakage etc.)	Mode of payment cash / online	Signature

Instruction : *Students can carry a blank statement of wages, ask the employees about their wages and accordingly fill the statement.*

2.2.5 Statement of Expenses :

In addition to wages, such hotels incur some expenses like rent of the stall or land, municipal charges, parcel expenses, transportation, running and maintenance of scooter or motorcycle, electricity charges, pooja expenses etc. No separate accounts are maintained for each expense. These are recorded one by one as they take place in a single statement.

Instruction: *Students have to collect the information about their expenses. Make a simple list of all expenses with the amount expended.*

2.2.6 Statement of Stock :

A Statement of Stock or an Inventory Statement is an accounting record showing the value and quantity of materials, food, beverages and other consumables held in stock at a given time. It helps the hotel to control costs, avoid wastage and ensure materials are available for daily operations. It is a report that records opening stock, purchases, consumption or sales and closing stock. It covers vegetables, food items, beverages, groceries, toiletries, crockery, etc.

It is better to prepare separate statements for perishable and short-term durable items like milk and milk products, vegetables etc. and durable items like grains, spices, toiletries etc. for better understanding of stock of each type and emergency of purchasing. It is continuous statement.

However, it is closed or checked weekly or monthly to know the availability of the materials.

Stock Statement

Date	Name of the Item	Categ-ory	Descri-ption of the item	Open-ing stock	Purch-ases	Used /Sold	wast-age	Clos-ing Stock	Value	Remark

2.2.7 Statement of Cost of Product :

In small hotels, determining the price per meal or product is crucial for balancing profitability, competitiveness, and affordability. Key Factors in Pricing a Meal are Cost of Ingredients (materials used), Overhead Costs like Gas/electricity, rent, staff wages, water, cleaning, etc., Labour, Profit Margin, Competition & Market Rate and Customer Segment

A common formula used in fixation of selling price in hotels is - Selling Price per Meal = Food Cost + Overheads + Wastages + Profit Margin. It is practically not possible to calculate exact figures of materials, overheads, wastages etc., therefore, approximate figures are taken to calculate price of a dish. A common formula for estimation is 40% materials + 20% overheads + 10% wastages + 30% profit. These are not exact percentages. It is approximate average percentages calculated considering prices of all dishes of all small hotels, on the basis of rough calculation. The percentages may vary hotel to hotel and dish

Statement of Cost of Product

Date	Name of the Dish/ Product	Quantity Produced	Cost of Main Mate-rial used	Cost of Spices used	Cost of other materials used Direct Wages	Proporti-onatc amount of Indirect Wages & Expenses	Proporti-onatc amount of Fixed Expenses	Proporti-onatc amount of	Profit ing	Total Price	Price per dish/ Product

Instruction : *Students have to fix approximate figures of material, labour, overheads etc. of a specific dish on the basis of discussion with the owner or employees, observations and using general knowledge. Because, it is highly diûcult to get exact figures of materials and proportionate amounts of labour charges and overhead charges. However, take care that, your estimation should be close to the actual, realistic and convincing. They should study which materials are used in particular dishes, how much labour is required, what type of other expenses are incurred for preparing such dishes etc., They should think, what would be the cost of materials considering the market rates of such materials, what would be the share of labour charges considering the wages of employees, what are the rates of other overheads prevailing in the market etc. According to fill the statement to know determination of price of meals or dishes.*

2.2.8 Fixed Assets Account OR Statement of Dead-stock :

Generally, small hotels don't keep separate accounts for each and every fixed asset. Instead, they prepare one statement of deadstock showing details of all the fixed assets. Usually, small hotels own the following fixed assets –

1. Land and Building / Stall / Mobile Van
2. Furniture
3. Cooking equipment, instrument, tools etc.
4. Utensils

5. Technological Appliances like refrigerator, TV   6. Electric Appliances like mixer

7. Scooter or Motorcycle

Fixed Assets A/c or Statement of Dead-stock

Sr.	Name of the Asset	Quantity	Opening Balance ₹	Purchases during the year ₹	Sold / Scrapped / Lost ₹	Closing Balance ₹	Remark

Instruction : *Students may not get exact values of the assets. They can take approximate values provided by the owner or employees. However, take care that the figures so determined should be realistic and convincing.*

2.2.9 Statement of Personal Loans and Other Current Liabilities :

Generally, such hotels don't get loans from banks for their business, as they do not keep their up-to-date accounts or don't file their Returns to Income Tax Authorities. The owners sometimes take loan from bank for any other purpose and use it for the purpose of business. Some owners may take loan from Credit Cooperative Societies or from their relatives or friends. There may be some current liabilities like creditors, outstanding wages and outstanding expenses etc.

Instruction : *Students have to collect the information about their loans and other liabilities. Make a simple list of all liabilities outstanding on the date.*

2.2.10 Capital A/c :

Instruction: *Students may not be able to get the actual amount of capital at the beginning of the period, withdrawals during the period etc. So, they have to estimate* *the amount of capital at the beginning of the period, drawings and find out the amount of closing capital. They can prepare opening balance sheet to find out opening capital. Record all the assets and third party liabilities (if any) and find out the missing figure of capital. Ignore reserve fund or general reserve etc.*

2.2.11 Cash and Bank A/c :

It is very diûcult to prepare these accounts. If students get this information, they prepare cash and bank a/c otherwise Students can estimate the closing balances of these accounts without preparing the accounts to record in the balance sheet.

2.2.12 Trial Balance, Trading and Profit and Loss A/c and Balance Sheet:

Instruction: *Students should try to provide as much information as possible. Balance Sheet may tally.*

All these are prepared on the same line that you have studied since 11^{th} standard. It is a summary of all the above accounts and records.

Instruction: *Students should try to provide as much information as possible. Balance Sheet may tally.*

2.3 GUIDELINES FOR 'ON FILED PRACTICAL' :

1. Select hotels –

You have to select a restaurant which provides dishes other than meals and hotel which provides meals. Choose such hotels, the owners of which are ready to provide data and information at least orally.

Choose any hotel, canteen, road side stall or small hotel, mobile hotel or such other unit which is providing other than meals and providing meals

2. Prepare Questionnaire or Interview Schedule

Prepare questionnaire or interview schedule in such a way that you will get all the information and data required for preparation of various ledgers, accounts and final accounts.

3. Visit a restaurant which provides dishes other than meals and hotel which provides meals

Visit a restaurant which provides dishes other than meals and hotel which provides meals, discuss with owner and employees. Assure them that you are collecting information only for the educational purpose and by no way the data or information will be used for any other purpose or misuse of data. Secure their confidence. Build a rapport. Be polite and punctual.

4. Collect the data and information

As far as possible, collect the actual data and information. However, keep in mind that, the owner may not maintain all the books of accounts. At such time, collect approximate data from which you can prepare required ledgers and accounts of that restaurant and hotel. Note down oral information and data that will help you in preparation of field project. Don't insist on providing real or recorded information. Overall information is sufficient to estimate the figures and accounting. Try to understand and learn more than the information given by the owner and employees i.e. understand yourself the hidden information.

5. Prepare accounting records

From the information and data collected, prepare various ledgers and accounts with actual or estimated (approximate) figures. Take care while estimating the figures, such figures should be as close as possible to the real and ultimately balance sheet should be tally. Prepare a Trial Balance to check the arithmetical accuracy of the figures.

6. Prepare Final Accounts

Prepare Trading and Profit & Loss Account and Balance Sheet of the restaurant and hotel separately with as many items as possible and as much as possible correct. Make sure gross and net profit is realistic and balance sheet is tally.

7. Prepare Field Project Report

Draft field project report with preliminary pages, accounting records and end pages. Get it checked from your guide teacher. Make the corrections accordingly and prepare final field project report. Submit the report to the college / department in the given time limit.

2.4 Structure Of Field Project Report :

- **Preliminary pages** - Cover Page, Declaration by the Student, Certificate of the Hotel, Certificate of the Guide, Acknowledgement, Content
- **Chapter I** – Introduction to hotel business, information of hotel business in the local area, information about accounting in hotel business (about 2-3 pages)
- **Chapter II** - Profile of the restaurant(providing other then meal) and hotel selected (hotel providing meal)

  Name, address, owner, establishment, type of hotel, short history, services provided, number of employees, notable achievements like awards, specialty etc. (about 3-4 pages)
- **Chapter III** – Data Presentation

  Presentation of Ledgers, Accounts, Statements, Trial Balance and Trading and Profit & Loss Account and Balance Sheet of hotel providing meals and restaurant other than meals (about 6-8 pages)
- **Chapter IV** – Summary / Conclusion

  Problems faced, how you solved the problems, experience of discussion with owner, employees and customers. What is your opinion about hotel business? Any significant information regarding the hotel and restaurant. What are the challenges in the business? How one can make career in the business etc. (about 2-3 pages)
- **Appendix** – Questionnaire or interview schedule, Geo-tagged photos or any other document that you want to present Totally of 25-30 pages

2.5 Preliminary Pages :

2.5.1 Cover Page :

Cover Page

Field Project Report on
Hotel Accounting
prepared by Name of the (Student)

for the Restaurant and Hotel
Name and address of the Restaurant and Hotel selected

under the guidance of Name of the Guide

Submitted to Name of the College
Academic year – 2025-26

2.5.2 Declaration :

Declaration (by student)

I, (*name of the student*) hereby state and declare that the Field Report on Hotel Accounting prepared by me for the work completed by me in the (*name of the hotel*) during the period from (date) —- to (date) —- , submitted herewith to the (*name of the college*) for the fulfillment of degree of Bachelor of Commerce (B. Com.) is original and totally based on the observation, experience and data collected by me during the course.

The data presented in the report are either observed or experienced by me or they are informed me by the owner or employees. The information given in the report are my own and based on my own knowledge, observation and the discussions held with the owner and staff.

I also declare that, this report is prepared only for academic purpose. The information contained in the report will not be disclosed or used for any other purpose.

Confidentiality of the information will be maintained strictly.

Place – Signature of the student

Date – Name of the student

2.5.3 Letter from the hotel :

Letter from the Restaurant and Hotel

(***It is not compulsory. If the hotel owners are ready to give such letter, the student can attach to the report***)

To whom so ever it may concern,

This is to certify that, Mr. / Miss./ Mrs. (*name of the student*) ------------------ of

B. Com. II student of -------- college was visited to the restaurant/hotel during ------- and collected the information from me or my staff.

His / Her behaviour was quite good / satisfactory. During the period of the visit he/she has noted required information, maintained good relations with me and my staff and shown keen interest in learning.

We wish him / her every success in his /her education, career and life.

Place – Signature of the student

Date – Name of the student

Seal

2.5.4 Certificate of the Guide :

Certificate of the Guide

This is to certify that Mr. / Miss. / Mrs. --------------------- of B. Com. II student of ------- college has worked under my guidance and satisfactorily completed field work and prepared the report as per the guidelines of the university for the fulfilment of B. Com. Degree.

He / She has collected information and data from the (*name of the hotels*) during the period of from ------ to ------ His / Her work is satisfactory and based on primary data collected by him / her during the course of visit.

Date - Signature of Guide

Place - Name of the Guide

2.5.5 Acknowledgement :

Acknowledgement

Considering the restrictions on a student it was a big task to collect data for the project. It cannot be completed without active support and help of the college, owner and employees of (*name of the hotel)*. I would be failing in my duty if their help, support and cooperation are not acknowledged.

From the soul and a profound sense of gratitude and indebtedness I express my thanks to my guide ----------------- (*name of the guide*) who guided and supervised my work in a disciplined and systematic manner. I also express my deep sense of gratitude for the hotel owner ----------------------- (*name of the owners*), hotel employees (*name of the employees*) and (*name of the other persons who helped*) for their valuable guidance and support. I envy their kind cooperation.

It is my prime duty to express a sense of gratitude to the principal of the college, (name of the principal), *(name of the Head of the Department*), Head, Department of Commerce / Accountancy /Management and all the teachers working in the department for their encouragement, guidance and support.

I am heartily thankful to ---------- (*write name of your friends or other persons*) who actively supported by all means to complete the work. I also extend my profound gratitude to ---------------- (*name of the family members*) who always have been a source of encouragement to me.

I am also thankful to ------ (*name*) for typing, printing and binding the report neatly. Finally, I thank all those who directly or indirectly helped me to complete project.

Place – Name of the Student

Date –

2.6 Technical Specifications for preparing Project Report (Generally Accepted) :

- Font – Times New Roman
- Font Size – Main Heading – 16, Heading – 14, sub-heading 12 Bold and writing – 12
- Line spacing – 1.5
- Spacing when one point over and next point start – if required single enter.
- Page size – A4

- Margin – 1" to all sides
- Numbering – as per convenience
- Use front and back pages
- Colour Pages – only if required

2.7 Questionnaire to Collect Data and Information :

A) General Information

1. Name of the Hotel/Restaurant
2. Name of the owner
3. Type of hotel/Restaurant –Well-furnished hotel / Road side small hotel / Gada or Tapari / mobile van /
4. Year of establishment
5. Area of hotel and premises
6. Maintenance of books of accounts – Computerised accounting / manual accounting / maintaining diary / rough notes
7. Number of full-time employees
8. Number of part time / daily wages employees

Number of family members working full time for the business either at hotel or at home home Number of family members working part time for the business either at hotel or at Do you take weekly off?

B) Income

- Average daily sales in hotel/Restaurant - Average daily sales through parcels –
- Do you have monthly members? If yes, average monthly income? Average sales in the case of special events / functions / festivals etc. -
- Do you accept orders of catering for personal / family / institution events like birthday, marriage, annual meeting etc.? If yes, average sales at such time –
- Other items of income

C) Purchases - Average monthly expenses on purchases of Grains –

Spices –

Oil –

Groceries –

Milk and milk products

Drinking water

Bakery products like biscuits etc.

Cleaning materials like washing powder, toiletories

Other materials like packing material, pooja material etc.

D) Expenses - Average monthly expenses on

Wages

Transportation (freight or carriage)

Salaries

Rent Electricity

Other expenses

E) Average monthly losses

Wastages

During purchases – defective materials During storage

During preparation / kitchen wastages After preparation

Any other wastages Bad debts

F) Average annual expenses on maintenance of - Building / Stall

Vehicles

Any other assets

G) Depreciation on (if the hotel is owned)

Building

Furniture

Roadside Stall / Mobile Van

Cooking instruments and equipment

H) Assets –

Fixed Assets

Land and building

Furniture

Roadside Stall / Mobile Van Vehicles –

scooter / motor cycle etc. Utensils

Cooking equipment like grade, stove etc.

Other fixed assets

Current Assets

Opening and closing stock of

Grains

Vegetables

Spices

Oil

Washing and Cleaning materials

Other materials

Debtors Bank

Balance

Cash in hand

I) Liabilities -

Capital

Bank / Credit Cooperative Society Loan Creditors

Other liabilities

2.8 Clarifications to Your Doubts and Questions :

- You have to prepare accounting records of two hotels, one hotel providing dishes other than meals and other providing meals.

- You are not allowed to prepare accounting records of more than two hotels.
- You can't select the same hotel providing both dishes other than meals and meals
- If you are presently working in any hotel, you can select the same hotel.
- If you are having your own or family business of hotel, you can select the same hotel.
- This project is for learning, so, try to learn more and more or try to acquire more knowledge of hotel business.
- You can visit the hotels as per convenience of you and the hotels.
- Number of visits are not fixed. You can visit the hotels for any number times till you get all required information and data.
- Make the notes of every information and data collected at the time of every visit.
- You can prepare the accounts for a month or quarter or half year or a year as suggested by your guide. It is not compulsory that students should prepare the accounts for a whole year. The teacher can decide the period for which the accounts are to be prepared considering the quantum of the work, availability of time and other factors.
- Try to know the problems and challenges of the business. Also try to know how the problems are solved by the owners and employees.
- Interact more with the staff working in the hotels to know how the business carried out, pricing the dishes, handling of customers etc.
- Project Report shall be prepared by the students individually and under the guidance of the concerned teacher.
- The Report must be based on primary data and not on imaginary data.
- Almost all of the small hotels are not maintaining the accounting records of their hotel business. Students have to collect information from whatever records available and from oral discussion with the owner and employees. While preparing the accounts and statements they have to make some adjustments in the amounts so that the balance sheet will be tally.

2.9 Terms to be Remember :

i) Hotel Accounting: It is the application of accounting principles to the hotel industry. It is specialized branch of accounting dealing with process of recording, classifying, summarizing and analyzing all financial transactions that taken place in hotel business. It helps hotel management in controlling cost, profit maximization and proper financial management of hotel operations.

ii) Purchase Account : is a nominal account in accounting that records all goods purchased by a business for resale (in case of trading business) or for production (in case of manufacturing business). It includes all purchases i.e. cash purchases and credit purchases.

iii) Sales Ledger: It Records all credit sales of goods/services to customers, customer-wise balances and track payments received, outstanding dues, and overdue accounts. Each customer has a separate account in the sales ledger, so, it helps for preparing the Debtors Account

iv) Wastage: The wastage refers to the loss or unnecessary use of resources, mainly vegetables, food, utilities, and other supplies, that leads to reduced efficiency and higher costs. Wastages is unavoidable part of hotel business. To some extent it can be reduced.

v) A Statement of Stock / an Inventory Statement is an accounting record showing the value and quantity of materials, food, beverages and other consumables held in stock at a given time. It helps the hotel to control costs, avoid wastage and ensure materials are available for daily operations.

vi) A Statement of Cost of Product: A common formula used in fixation of selling price in hotels is - Selling Price per Meal = Food Cost + Overheads + Wastages + Profit Margin. A common formula for estimation is 40% materials + 20% overheads + 10% wastages + 30% profit.

2.10 References :

1. https://tourismnotes.com/evolution-and-growth-of-the-hotel-industry-in-india/2. https:// vuniversity. in/ introduction- and- growth- of- hotel- industry- in-india/#google_vignette

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