



دائرة الثقافة والسياحة
DEPARTMENT OF CULTURE
AND TOURISM

04/11/2020

Messrs. Hotel Establishments' General Managers

السادة/ مدراء المنشآت الفندقية المحترمين

Circular No. 71/2020

تعميم رقم 71/2020

Subject: Standard Financial Statements Reporting Manual For All Hotels Operating in the Emirate of Abu Dhabi

الموضوع: اعتماد دليل تقارير البيانات المالية القياسية للمنشآت الفندقية في إمارة أبوظبي

Greetings,

تحية طيبة وبعد،

Pursuant to the above subject, pursuant to Law No. (8) of 2018 concerning the establishment of the Department of Culture and Tourism – Abu Dhabi (DCT Abu Dhabi); Law No. (13) of 2006 concerning the control of tourist establishments in the Emirate of Abu Dhabi; the decision of the President of the Executive Council No. (15) of 2015; Decree No. (94) of 2018 on the Executive Regulations for the Control of the Income of Tourist and Hotel Establishments in the Emirate of Abu Dhabi; Decree No.(95) of 2020 relating to Standard Financial Statements Reporting Manual for All Hotels Operating in the Emirate of Abu Dhabi; and Circular No. (03) of 2016 concerning municipality fees for hotel stays in the Emirate of Abu Dhabi.

بالإشارة إلى الموضوع أعلاه، وبناءً على القانون رقم (8) لسنة 2018 بشأن إنشاء دائرة الثقافة والسياحة، والقانون رقم (13) لسنة 2006 بشأن الرقابة على المنشآت السياحية في إمارة أبوظبي، وعلى قرار رئيس المجلس التنفيذي رقم (15) لسنة 2016 بشأن رسوم البلدية على الإقامة في فنادق إمارة أبوظبي، وعلى قرار رئيس دائرة الثقافة والسياحة رقم (94) لسنة 2018 بشأن اللائحة التنفيذية للرقابة على إيرادات المنشآت السياحية والفندقية في إمارة أبوظبي، وعلى قرار رئيس دائرة الثقافة والسياحة رقم (95) لسنة 2020 بشأن اعتماد دليل تقارير البيانات المالية القياسية للمنشآت الفندقية في إمارة أبوظبي وعلى تعميم رقم (03) لسنة 2016 بشأن تطبيق رسوم البلدية على الإقامة على الفنادق في إمارة أبوظبي.

The purpose of issuing this guide is to unify the concepts, mechanisms, and financial and statistical data declared by hotel establishments so that DCT Abu Dhabi can analyse this data and fulfil its mandate to regulate and support the sector by developing periodic reports and sector strategies for the Government of Abu Dhabi. Accordingly, the following was decided:

يهدف إصدار هذا الدليل إلى توحيد المفاهيم والآليات والبيانات المالية والإحصائية التي تصرح بها المنشآت الفندقية، لكي تقوم الدائرة بتحليل هذه البيانات ورفع التقارير الدورية التي تهم صاحب القرار. لذا، وبناءً عليه، تقرر ما يلي:

1- The Standard Financial Statements Reporting Manual for All Hotels Operating in the Emirate of Abu Dhabi shall be enacted in accordance with the annex attached to this Circular (English language version).

1- يعتمد دليل تقارير البيانات المالية القياسية للمنشآت الفندقية في إمارة أبوظبي وفق الملحق المرفق بهذا القرار (نسخة اللغة الإنجليزية).

2- The Standard Financial Statements Reporting Manual for All Hotels Operating in the Emirate of Abu Dhabi should be read and implemented alongside the legislation, regulations and other policies related to the financial system and regulation of tourism establishments in the Emirate of Abu Dhabi.

2- يجب قراءة وتنفيذ دليل تقارير البيانات المالية القياسية للمنشآت الفندقية في إمارة أبوظبي مع مراعاة التشريعات واللوائح والسياسات الأخرى المتعلقة بالنظام المالي والرقابة على المنشآت السياحية في إمارة أبوظبي.

3- The concerned department within DCT Abu Dhabi will circulate the Manual to all hotel establishments, as well as conducting awareness and training workshops to support the adoption of the guidelines.

3- تتولى الإدارة المعنية بالدائرة تعميم دليل تقارير البيانات المالية القياسية للمنشآت الفندقية على كافة المنشآت الفندقية وعمل دورات التوعية والتطبيق.



Department of Culture and Tourism

DEPARTMENT OF CULTURE AND TOURISM, ABU DHABI, UAE

**STANDARD FINANCIAL STATEMENTS REPORTING MANUAL FOR
ALL HOTELS OPERATING IN THE EMIRATE OF ABU DHABI.**



The Department of Culture and Tourism - Abu Dhabi (DCT) is experiencing challenges in benchmarking different hotels against each other as there is inconsistent treatment of similar transactions types by different operators. This is occurring across both revenue and costs lines. This report/manual will provide a framework structure ensuring that for all transaction types, hotels will have a unified treatment.

DCT to develop a framework for Standardized Financial Statement Reporting Manual for all hotels operating in the Emirate of Abu Dhabi.

The lodging industry contributes significantly to local tourism revenues. The accuracy of data reported to the DCT is critical in supporting strategic decision making, which will shape the future development of the industry in Abu Dhabi.

The project is aimed at reporting results that reflect a clear breakdown of all targeted revenues and costs. It will clearly identify those elements that are related to the “Cost of doing business in Abu Dhabi”. Identification with simplified, not only the different taxation and fees across the Emirates, but also other costs that are recorded in the financial statements of those entities e.g. licenses (HACCP, SPA, health club, Music, etc.), labour fees, staff accommodation, staff transport, etc. These are the key element that impact Abu Dhabi’s competitiveness in relation to other Emirates.

The findings and outputs of our reviews, interviews and onsite visits are detailed in the main body of this report.



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EXECUTIVE SUMMARY

This report/manual is to provide the structure to ensure that for all transactions for hotels have a unified treatment.

A review of best in practice reporting in the hospitality industry has revealed that the System of Accounts for the Lodging Industry (USALI) is the most popular and widely used system, which has been adopted globally by most global chains of hotels. However, in its current form it is seen as being too onerous and complex for smaller independent hotels. That aside, research suggests that USALI could be adopted as the framework for smaller operators in an abridged form. This would be best developed working in step with that sector.

Onsite hotel visits revealed that the majority of hotels are using USALI as their basic framework, however they are using different versions, mostly 10th and 11th edition.

Currently there are inconsistent reporting practices for similar transactions which would be addressed by getting standardised reporting using the USALI Framework.

The area of reporting that has the greatest inconsistency revolves around costs

A Glossary of terms defining all aspects of revenues has been prepared, and if this is followed by all hotels, revenue reporting inconsistencies would be eliminated. Definitions are based on the guidelines as set out in USALI

For the hospitality industry, there are no specific age guidelines regarding what constitutes a child either in USALI or elsewhere. All literature reviewed indicated that this was an internal commercial policy to be determined by the hotels themselves. In Abu Dhabi the ages range from 6 -18 years for deciding whether a guest is an adult or a child. Of a sample of 14 hotels/chains sampled, 7 regarded children aged above 12/13 as adults and 2 for children aged 6 and above. DCT will need

to make a decision regarding this (ORT7) as there is no best practice. Different chains have vastly different policies (see schedule on pg40. 2 major chains are vastly different (Rotana – 12, Marriott – 17).

As there is no consistency within the hospitality industry both globally and locally regarding the definition of a child, nor is there any guidance given by USALI, our recommendation is that the discretion for this policy is left to each hotel, provided the person's age does not exceed 18 years.

As a divergence from IFRS15, service charge received value 8% i.e. 10% full charge less 2% payable to employees to be recorded as revenue for DCT reporting purposes.

BEST IN CLASS GLOBAL REPORTING

It's critical to identify a best in practice model that is utilised globally as the basis for hotel reporting. A review of literature has indicated that in the hospitality industry there are three main systems from which uniform systems of accounts are drawn.

- Uniform System of Accounts for the Lodging Industry (USALI)
- Uniform System of Accounts for Restaurants (USAR)
- Uniform System of Financial Reporting for Clubs (USFRC)

The most popular and widely used system is USALI, which has been adopted globally by most global chains of hotels. However, in its current form it is seen as being too onerous and complex for smaller independent hotels. That aside, research suggests that USALI could be adopted as the framework for smaller operators in an abridged form. This would be best developed working in step with that sector.

As no system offers itself as a perfect fit, amendments need to be made to balance the requirements of the various parties. These include the DCT, other related Government departments, revenue auditors (internal and outsourced), prospective hotel developers and operators.

STANDARDISED FINANCIAL STATEMENT REPORTING

Based on all the information obtained from literature reviews and onsite visits to hotels, the best reporting framework used for hotels is USALI. While there are some deficiencies as regards reporting requirements for DCT, it is an optimum starting point.

Code	Statistics and Key Indicators	
ST1	Rooms Available	
ST2	Rooms Sold	
ST3	Occupancy	0.0%
ST4	ADR	0
ST5	RevPAR	0
ST6	Net RevPAR	0
ST7	Total RevPAR	0
ST8	GOPPAR	0
ST9	Total Headcount	0
ST9	Operational headcount	
ST9	Administration headcount	
ST9a	FTE (Includes outsourced staff)	
ST9b	Direct hires	
ST10	Emirati Headcount	
ST11	Emiratisation %	0.0%
	Commission and Reservation Costs	0
ST12	Commissions	0
ST12a	OTA	0
ST12b	Non-OTA	0
ST13	Reservation Costs	0
ST14	Licence and Inspection Costs	0
ST15	Specified Employee Costs	
ST15a	Visa costs	0
ST15b	Service fees paid	0
ST15c	Staff accommodation	0
	Turnover per VAT Return	

Standard Financial Statement Reporting Manual for Hotel Establishments

Code	Income Statement	
	Operating Revenue	
OR1	Rooms*	
OR2	Food and Beverage*	0
OR2a	Food	
OR2b	Beverage	0
	Beer	
	Wine	
	Spirits	
	Other beverage income	
OR2c	Other Revenue	
OR3	Other Operated Departments*	0
	Spa	
	Retail Outlets	
	Museums and Theme Parks	
	Laundry	
	Transport	
	Other	
OR4	Miscellaneous Income	0
	Spa (profit share only)	
	Retail Outlets (profit share only)	
	Museums and Theme Parks (Profit share only)	
	Restaurants - consessionaires (profit share only)	
OR4a	Rent	
	Laundry	
	Transport	
	Other	
	Total Operating Revenue	0

* Service fees received represents the current statutory service charges leviable on sales and are to be included in the revenues at the net value 8% i.e 10% full charge less 2% payable to employees.

Standard Financial Statement Reporting Manual for Hotel Establishments

Code	Income Statement - Continued	
	Departmental Expenses	
DE1	Rooms	0
DE1a	<i>Labour Costs and Related Expenses</i>	0
	Salaries and Wages	
	Other staff costs	
DE1b	<i>Other Expenses</i>	0
ST12	Commissions	0
ST12a	OTA	
ST12b	Non-OTA	
ST13	Reservation costs	
	Licence and inspection costs	
	Other direct costs	
DE2	Food and Beverage	0
	<i>Labour Costs and Related Expenses</i>	0
	Salaries and Wages	
	Other staff costs	
	<i>Cost of Sales</i>	0
DE2a	Cost of food sales	
DE2b	Cost of beverage sales	
DE2c	Cost of other sales	
DE2d	<i>Other Expenses</i>	0
ST12b	Commissions	
ST13	Reservation costs	
	Licence and inspection costs	
	Other direct costs	

Standard Financial Statement Reporting Manual for Hotel Establishments

Income Statement - Continued								
Code	Description	Total	Spa	Retail Outlets	Museums & Theme Parks	Laundry	Transport	Other
DE3	Other Operated Departments	0	0	0	0	0	0	0
DE3b	Labour Costs and Related Expenses	0	0	0	0	0	0	0
	Salaries and Wages	0						
ST15d	Other staff costs	0						
DE3a	Cost of Sales	0	0	0	0	0	0	0
	Cost of goods sold	0						
DE3c	Other Expenses	0	0	0	0	0	0	0
ST12b	Commissions	0						
ST13	Reservation costs	0						
	Licence and inspection costs	0						
	Other direct costs	0						
	Total Departmental Expenses	0						
	Total Departmental Profit	0						
	Undistributed Operating Expenses							
OE1	Administration and general							
	Bank Charges							
	Credit Card Commissions							
OE2	Information and Telecommunications Systems							
OE3	Sales and Marketing							
OE4	Property Operation and Maintenance							
OE5	Utilities							
	Total Undistributed Expenses	0						
	Gross Operating Profit	0						
MF1	Management Fees							
	Income before Non-operating Income and Expenses	0						
	Non-operating Income and Expenses							
NO1	Income							
NO2	Rent							
NO3	Property and other taxes							
NO4	Insurance							
NO5	Staff Welfare							
NO6	Other							
	Total Non-operating Income and Expenses	0						
	EBITDA	0						
FFE1	Transfer to Fixtures, Furniture and Equipment Reserve							
	Interest Depreciation and Amortisation							
ID1	Interest							
ID2	Depreciation							
ID3	Amortisation							
	Total Interest Depreciation and Amortisation	0						
	Net Income before Tax	0						

DEFINITIONS

Statistics

ST1 Rooms Available:

Definition: Total number of rooms available for sale to guests during the reporting period.

It is represented by the total room inventory reduced by rooms not available for sale.

Total Room Inventory	150
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Less Rooms not available for sale

Out of order rooms (OOO)	(10)
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Out of service rooms (OOS)	(5)
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Permanent house use rooms	(2)
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Rooms available	133
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For rooms to be regarded as OOO, the rooms need to be removed from annual saleable inventory for a minimum period of six (6) consecutive months. Examples of this are rooms damaged due to natural disasters or fire, where there is intent to return the rooms to saleable inventory, or an entire rooms department is closed completely for a minimum of 30 days

ST2 Rooms Sold:

Definition: Total number of rooms sold to hotel guests including complimentary [OR1e] and loyalty program rooms [OR1f].

ST3 Occupancy:

Definition: This is the ratio between the amount of rooms sold as a percentage of the rooms available for sale.

ST4 Average Daily Rate (ADR):

Definition: ADR is the average rate charged per room. This is calculated by dividing the total room revenue by quantity of rooms sold. For purposes of this definition, complimentary rooms are to be included in this calculation.

ST5 Rooms RevPAR:

Definition: A room RevPAR rate is the average revenue earned per available room. This is calculated by dividing total room revenue by the quantity of rooms available

RevPAR = *Room Revenue / Number of Available Rooms*

ST6 Net RevPAR:

Definition: NRevPAR rate is the average revenue earned per room minus any costs associated with distributing the room. Distribution costs include transaction fees and commissions paid to travel agents and OTA's

NRevPAR = *(Room Revenue – Distribution Costs) / Number of Available Rooms*

ST7 Total RevPAR:

Definition: The RevPAR rate is the average total operating revenue earned per room calculated by dividing total operating revenue by rooms available

Total RevPAR = Total Operating Revenue / Number of Available Rooms

ST8 GOPPAR:

Definition: The GOPPAR rate is the average total operating profit earned per room calculated by dividing total operating profit by rooms available

GOPPAR = Total Operating Profit / Number of Available Rooms

ST9 Employee Headcount:

Definition: This is the total number of personnel employed by the hotel

These fall into two categories.

Operational

These are functions that generate revenue.

Housekeeping manage laundry, something a guest may request. This is typically charged for.

Administration

These are functions that do not generate revenue.

Finance and Maintenance support the running of the hotel, but do not invoice guests for their services.

ST9a Employee Headcount – Fulltime Equivalent (FTE):

Definition: This is the total number of personnel employed by the hotel including outsourced staff

ST9b Employee Headcount – Direct hires:

Definition: This is the total number of personnel directly hired by the hotel

ST10 Emirati Headcount

Definition: Total number of Emirati's employed by the hotel. It excludes any outsourced staff.

ST11 Emiratization %

Definition: Ratio between the Emirati headcount as a percentage of the total headcount

ST12 Commissions

Definition: Remuneration paid to authorized agents for securing business for the property e.g. travel agents , OTA's. Also includes commissions paid to third party meeting planners

ST12a OTA Commissions:

Definition: Remuneration that is paid to OTA's for securing room business for the property. Accounted for under Departmental Expenses – Rooms

ST12b Non-OTA Commissions

Definition: Remuneration that is paid to Non-OTA's for securing room business for the property including third party meeting planners and accounted for as follows:

- Room business commissions - Departmental Expenses – Rooms
- 3rd party meeting planning commissions – Departmental Expenses – Food and Beverage

ST13 Reservation Costs

Definition: Reservation costs are expenses associated with participating in an internal or external reservation system

ST14 License and Inspection Costs

Definition: All regulatory costs associated with running the property including trade licenses, license inspection costs for all hotel departments. License costs are to be allocated to the specific department to which they relate.

ST15 Specified Employee Costs

Definition: All employee costs relating to the following specific line items

- Visa costs
- Service fees
- Staff accommodation

ST15a Visa costs:

Definition: All costs relating to the provision of visas to staff and dependents These represent all visa related costs including visa issuing costs, employee medicals, Emirates ID costs, visa cancellation fees, PRO costs, typing fees related to the aforementioned costs

ST15b Service fees paid:

Definition: The share of the service fees collected that is paid over to employees. Currently there is a minimum obligation on the entity to pay 20% of the total service fee collected to staff i.e. 2% of the revenues included in determining the service fee revenues.

ST15c Staff accommodation:

Definition: All costs relation to the provision of staff accommodation to employees. Amounts to be segregated between housing allowances included in employee costs and the cost of employer provided accommodation.

Employer provided accommodation (excluding housing allowances) is separately disclosed as Non-operating income and expenses - Rent **(NO2)**

ST15d Other staff costs:

Definition: All staff costs other than those detailed in **ST15a**, **ST15b**, **ST15c** and staff welfare costs. Staff welfare costs separately disclosed in Non-operating income and expenses – Staff Welfare **(NO5)**

Operating Revenue

OR1 Rooms:

Definition: Total number of rooms available for the reporting period, which are for sale for consideration, in whatever form, to guests.

There are different forms that constitute what a room is. These are as follows:

OR1a Transient Rooms:

Definition: Rental of Rooms by individuals or Groups occupying fewer than ten (10) rooms per night inclusive of the statutory service charge. (Net value 8% i.e. 10% full charge less 2% payable to employees)

There are five categories of customer:

- Retail Room Rates – Seasonal. Specific market targeted. Not discounted.
- Discount Room Rates – Any discount scheme where the customer is not specifically affiliated with a formal Group.
- Negotiated Room Rates – Corporate entities that have negotiated an entity specific rate card.
- Qualified Room Rates – Individuals that, as part of a documented grouping, are entitled to a discounted rate.
- Wholesale Room Rates – Rooms that are bundled as part of a wider package; flight etc., where the guest is unaware of the specific rate for the room.

OR1b Group Rooms Revenue:

Definition: Revenue from the renting of blocks of rooms or suites to a Group, inclusive of the statutory service charge. (Net value 8% i.e. 10% full charge less 2% payable to employees). A Group comprises of ten (10) or more rooms per night subject to contractual agreement. Revenue is recorded net of discounts.

There are four categories of Groups:

- Corporate – Negotiated rate for a block, ten (10) or more, of rooms for a corporate entity.
- Association – Negotiated rate for a block, ten (10) or more, of rooms for a Trade or Professional association.
- Government – Negotiated rate for a block, ten (10) or more, of rooms for a Government Department.
- Tours – Negotiated rate for a block, ten (10) or more, of rooms as part of a larger package containing multiple travel components including a guide.

OR1c Contract Rooms Revenue/Corporate Rooms

Definition: Revenue from a contract with another entity for a block of rooms for an extended period of over thirty (30) days. Revenues are recorded net of any discounts and inclusive of the full, statutory service charge. (Net value 8% i.e. 10% full charge less 2% payable to employees)

OR1d Other Rooms Revenue

Definition: Miscellaneous room revenues, commonly associated with the following, not exclusive, six categories. Revenues recorded inclusive of the full,

statutory service charge. (Net value 8% i.e. 10% full charge less 2% payable to employees)

- No show – Where payment has been guaranteed but occupancy does not occur, the location will not record the room as being occupied, however, it will record the revenue.
- Day use – There is no overnight usage of the room. Food and beverage expenditure associated with the room may not be included.
- Early departure fees – Where this is applicable.
- Late departure fees – Where this is applicable.
- Rental of additional room amenities – These are additional fixtures, like additional beds, that are charged to a guest.
- Surcharges/Services charges – These are additional services, like hotel transfers, that are charged to a guest.

There are transaction types that have specific treatment, where there are additional requirements. These are as follows:

ORT1 Barter Transactions

These are rooms provided to a supplier in exchange for goods or services of the same value.

Although there is no monetary consideration, revenue for the room is recorded, for reporting purposes, at the retail room rate inclusive of the full, statutory service charge. (Net value 8% i.e. 10% full charge less 2% payable to employees)

The room is counted as occupied.

ORT2 Online Travel Agents [OTA] and Non-Online Travel Agents [Non-OTA]

Rooms are sold via OTA's and Non-OTA's, for which they receive a commission payment.

The revenue is reported at the price the guest pays for their room when booking with an OTA or Non-OTA inclusive of the full, statutory service charge. (Net value 8% i.e. 10% full charge less 2% payable to employees)

Commission payments to the OTA's are reported as commission expenses in Department Expenses on the Rooms line only. Refer ST12a.

Commission payments to non- OTA's are reported as commission expenses in Department Expenses as set out in ST12b.

ORT3 Complimentary Rooms

A room provided at no monetary consideration to a guest.

Such a provision is only conducted as a marketing activity for customer goodwill.

The room does not constitute a room as defined in **OR1** [above].

This is recorded in room revenues at zero value.

ORT4 Loyalty Packages

Revenue recorded for reporting purposes is done at the retail room rate inclusive of the full, statutory service charge. (Net value 8% i.e. 10% full charge less 2% payable to employees)

ORT5 Package Deals

Additional charges must be apportioned and allocated to the appropriate revenue stream, e.g. Food and Beverage, Spa, etc. inclusive of the full, statutory service charge. (Net value 8% i.e. 10% full charge less 2% payable to employees)

The approach to be taken in apportioning revenue to the appropriate revenue streams is that used in USALI. Full compliance with the USALI [11th Edition]. In terms of this, package components are allocated based on their proportion to the market value of the package.

Department	Market Value	Ratio	Package allocation
Rooms	800	46%	686
Food and Beverage	450	26%	386
Spa/Golf etc	500	29%	428
Total	1,750	100%	1,500

Total Package Value **1,500**

Standard Financial Statement Reporting Manual for Hotel Establishments

Package Description	Room	Food	Beverage	Other Department	Miscellaneous	Total
Bed with						
Breakfast only	85.0%	15.0%	0.0%	0.0%	0.0%	100.0%
Half Board [w Lunch]	83.0%	17.0%	0.0%	0.0%	0.0%	100.0%
Full Board [w Dinner]	80.0%	20.0%	0.0%	0.0%	0.0%	100.0%
Self-Catering	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
All Inclusive	50.0%	35.0%	15.0%	0.0%	0.0%	100.0%
Brunch - non-alcoholic	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%
Brunch - alcoholic*	0.0%	100.0%	**	0.0%	0.0%	100.0%

NOTES:

The matrix deals only with a hotel's share of the consideration for the package purchased. Any third party offering within the package will share revenue in the pre-agreed manner. That third-party element is not included in the above.

* The differential between Alcoholic and non-alcoholic brunches allocated to Beverage

Brunch:

- Non alcoholic brunches, paid for separately, are considered as food.
- The price differential between no-alcoholic brunches and brunch packages including the provision of alcohol must be allocated to beverages.

ORT6 Wholesale Rates

Revenue recorded for reporting purposes is done net of discount inclusive of the full, statutory service charge. (Net value 8% i.e. 10% full charge less 2% payable to employees)

ORT7 Children

Legally, the term *child* may refer to anyone below the age of majority or some other age limit. The United Nations Convention on the Rights of the Child defines *child* as "a human being below the age of 18 years unless under the law applicable to the child, majority is attained earlier". The term *child* may also refer to someone below another legally defined age limit unconnected to the age of majority. In Singapore, for example, a *child* is legally defined as someone under the age of 14 under the "Children and Young Persons Act" whereas the age of majority is 21. In U.S. Immigration Law, a child refers to anyone who is under the age of 21.

As there is no consistency within the hospitality industry both globally and locally regarding the definition of a child, nor is there any guidance given by USALI, the discretion for this policy is left to each hotel, provided the person's age does not exceed 18 years

ORT8 Service fees received

Service fees received represents the current statutory service charges leviable on sales. This value is currently set at 10%. The revenue needs to be accounted for in terms of IFRS15

The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for

those goods or services. The core principle is delivered in a 5-step model framework.

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize the revenue when the entity satisfies a performance obligation

In terms of this, the entity is required to recognize the full 10% as revenue. Any subsequent disbursement of this revenue e.g. the payment of a % of the service fee to staff is seen as being entirely unrelated and such service charge related expense should be accounted for separately in overheads. Currently there is a minimum obligation on the entities to pay 20% of the total Service Fee collected to staff i.e. 2% of the revenues included in determining the service fee revenue

As a departure from IFRS15, in line with common commercial practice in the hospitality industry, service fees will be recorded at the net value 8% i.e. 10% full charge less 2% payable to employees.

OR2 Food and Beverage Revenue:

Definition: This includes all sales of food and beverages consumed by any customer, inclusive of the full, statutory service charge (Net value 8% i.e. 10% full charge less 2% payable to employees) and non-consumable goods, i.e., memorabilia

There are three different forms that constitutes this grouping. These are as follows:

OR2a Food revenue:

Definition: This includes all food and any non-alcoholic beverages.

These are broken down into five categories:

- Venue food revenue.
- In-room dining.
- Any of Banquet, Conference or general catering revenues.
- Mini bar food related revenue.
- Any revenues not identified above.

OR2b Beverage revenue:

Definition: This includes all alcoholic beverage sales.

These are broken down into five categories:

- Venue food revenue.
- In-room dining.
- Any of Banquet, Conference or general catering revenues.

- Mini bar beverage related revenue.
- Any revenues not identified above.

This is further subdivided into three categories:

- Beer
- Wine
- Liquor

OR2c Other revenue:

Definition: These are revenues relating to sale of anything that is not food or beverage.

These are broken down into five categories:

- Audiovisual.
- Function room rentals, including any set up charges.
- Cover charges.
- Service or surcharges.
- Miscellaneous other revenues.

OR3 Other Operated Departments:

Definition: Other Operated Department relates to the provision of non-room and non-F&B services to guests.

There are three key assumptions

- The Department should generate revenue, direct operating costs and operate with the intention of making a profit.
- Revenues must be reported gross, without deduction of operating costs.
- Departments that have no revenue and are operated solely to provide complimentary guest service are not included in this category. They are included in **OR4**.

There is specific treatment depending on ownership.

By way of example and for avoidance of doubt, a Spa would be one such offering to customers, which would be included in this category.

ORT7 If the Department is owned and operated by the hotel, then the revenues are reported under this category.

ORT8 If the Department is owned but operated by an external party, then the revenues are included in Miscellaneous Income **OR4**.

OR4 Miscellaneous Income:

Definition: These revenues are reported on a net rather than a gross basis.

Types of revenue reported under this classification include:

- Attrition fees; failure to provide guaranteed guest levels.
- Cancellation fees.
- Cash discounts received.
- Commissions received.
- Guest related foreign exchange gains or losses.
- Guest laundry or dry cleaning.
- Interest income.
- Rent received.
- Resort fees.

OR4a Rent Received

Any rental received from space within the hotel building is regarded as being hotel revenue

Departmental Expenses

DE1 Rooms:

Definition: These are the direct operating costs relating to the provision of rooms to guests.

These are divided into two major categories.

DE1a Labor costs and related expenses:

This includes all payroll expenses associated with salaries, service charges, contracted labor, bonuses, and payroll expenses for employees and contractors.

Salaries

Where employees are working in various Departments, their costs should be apportioned across those Departments.

Contracted Labor

This is the gross cost of contracted and outsourced labor.

Bonuses and incentives

These are contractual, discretionary bonuses and performance-based incentives paid as per standing policies.

Visa Related Costs

All costs relating to the provision of visas to staff and dependents. These represent all visa related including visa issuing costs, Employee medicals, Emirates ID costs, visa cancellation fees, PRO costs, typing fees related to the aforementioned costs.

Staff Accommodation costs

All costs relation to the provision of staff accommodation to employees. Amounts to be segregated between housing allowances included in employee costs and the cost of employer provided accommodation.

Service fees

Represents the share of the statutory service fees collected that is paid over to staff members (2%)

Other staff expenses

These costs include the following:

- Recruitment costs
- Medical insurance
- End of service charges [Gratuity]

Staff welfare costs (meals, staff transport etc.) dealt with separately
(NO5)

DE1b Other expenses:

These include commissions paid to OTA's, Non-OTA's and all non-labor direct costs

Commissions (ST12)

Remuneration paid to authorized agents for securing business for the property e.g. travel agents, OTA's. Also includes commissions paid to third party meeting planners

OTA Commissions (ST12a)

Remuneration that is paid to OTA's for securing room business for the property. Accounted for under Departmental Expenses – Rooms

Non-OTA Commissions (ST12b)

Remuneration that is paid to Non-OTA's for securing room business for the property including third party meeting planners. Accounted for under Departmental Expenses – Rooms

Reservation Costs (ST13)

Reservation costs are expenses associated with participating in an internal or external reservation system

DE2 Food and Beverage:

Definition: These are direct operating costs relating to the provision of food and beverage to guests.

These are divided into four major categories.

DE2a Cost of food sales:

Definition: This is the total cost of food sales, which includes the cost of food and non-alcoholic beverages, served to any person, dining in the hotel, at any time. Excluded from this are any staff related servings and purchase rebates from suppliers.

DE2b Cost of beverage sales:

Definition: This is the total cost of alcoholic beverages served to any person, in the hotel, at any time. Excluded from this are any purchase rebates from suppliers.

DE2c Cost of other revenue:

Definition: These are any costs associated with the sale anything that is not consumable food and/or beverages:

- Audiovisual costs, which include the costs of providing audiovisual equipment and services to guests of the F&B Department.
- Miscellaneous costs relating to the provision of memorabilia, logo merchandise etc
- Labor costs and related expenses for the F&B Department. These are allocated on the same basis as the Rooms department in **DE1a**.

DE2d Other expenses

Definition: This represents anything not addressed in **DE2a**, **DE2b** and **DE2c**, including for example; banqueting expenses.

DE3 Other Operated Departments:

Definition: Other Operated Department costs relate to the provision of non-room and non-F&B services to guests.

These are divided into three major categories.

DE3a Cost of sales of merchandise and clothing retailed to guests.

DE3b Labor costs and related expenses for the Other Operated Departments.

These are allocated on the same basis as the Rooms department, as noted in **DE1a**.

DE3c Other expenses

These represents all non-costs of goods to be sold and non-labor costs, relating to each individual Operated Department.

Undistributed Operating Expenses

OE1 Administration and General

These are divided into two major categories.

OE1a Labor costs and related expenses.

These are allocated on the same basis as the Rooms department in DE1a

OE1b Other expenses are all non-labor costs. Separate disclosure of bank charges and Credit Card Commissions

OE2 Information and Telecommunications Systems

These are divided into four major categories.

OE2a Labor costs and related expenses.

These are allocated on the same basis as the Rooms Department in DE1a.

OE2b Cost of services

This includes cell phones, provision of internet services, cost of local and long-distance calls.

OE2c System expenses

These relate to the provision of various technological solutions to departments across the organization.

OE2d Other expenses

These related to the all other costs not defined in OE2a, OE2b and OE2c.

OE3 Sales and Marketing

These are divided into two major categories.

- OE3a** Labor costs and related expenses.
These are allocated on the same basis as the Rooms department in **DE1a**.
- OE3b** All non-Labor and related expenses, including costs related to franchise marketing, royalties and loyalty programs.

OE4 Property Operation and Maintenance

These are divided into two major categories.

- OE4a** Labor costs and related expenses.
These are allocated on the same basis as the Rooms department in **DE1a**.
- OE4b** All non-Labor and related expenses.

OE5 Utilities

Definition: These are costs associated with the supply of electricity, gas, oil, water and sewage, steam, chilled water, other fuels and contract services.

Utilities to be reported as a single total, but records must be maintained in a manner that allows for the individual categories of utilities to be separately reported including the following:

- Electricity
- Gas
- Oil
- Water
- Sewage
- Steam
- Chilled water
- Other fuels
- Contract services

Management Fees

MF1 Management fees

Definition: Management fees payable to hotel operators.

These are divided into two major categories. Management fees to be reported as a single total, but records must be maintained in a manner that allows for the individual categories to be separately reported.

MF1a These are the contractually agreed base fees, which represent a fixed amount or percentage of revenues.

MF1b These are incentive fees, which are contingent on the achievement of certain predefined performance levels.

Non-operating Income and Expenses

NO1 Income

Definition: This is interest received and sundry income not recorded elsewhere.

NO2 Rent

Definition: These are costs associated with the leasing of property and equipment, but excludes rentals relating to specific events, i.e., Weddings etc.

Rental of staff accommodation (excluding housing allowances) is included in this section rather than employee costs

Rental costs specifically exclude any long leases (in excess of 12 months) which must be capitalized and accounted for in terms of IFRS 16. i.e. the depreciation and interest components of these lease payments must be accounted for as Depreciation (ID2) and Interest (ID1)

NO3 Property and other taxes

NO4 Insurance

Definition: These are costs associated with the insurance of any buildings, contents, general insurance and all other insurances.

NO5 Staff Welfare

Definition: These are costs associated with the welfare of staff including staff meals and staff transport

NO6 Other

Definition: Other costs that are not recorded elsewhere, including profit/loss on disposal of fixed assets and unrealized foreign exchange gains/losses.

ID1 Interest Paid

Definition: Interest paid on short and long-term borrowings, including interest on long leases capitalized in terms of IFRS 16

ID2 Depreciation

Definition: Depreciation of assets as per the entity's policies including depreciation on long lease assets as required by IFRS 16

ID3 Amortization

Definition: Amortization of intangible assets as per the entity's policies

FFE1 Fixtures, Furniture and Equipment Reserve

Definition: Amounts provided for the replacement of hotel fixtures, furniture and equipment

IFRS16 WORKED EXAMPLE

Lessees recognise the following items in expense for leases:

- Depreciation of the right-of-use asset
- Interest on the lease liability
- Variable lease payments that are not included in the lease liability (e.g., variable lease payments that do not depend on an index or rate)
- Impairment of the right-of-use asset

Depreciation of the right-of-use asset and interest on the lease liability

After the commencement date, a lessee recognises depreciation of the right-of-use asset and separately recognises interest on the lease liability. When a lessee depreciates the right-of-use asset on a straight-line basis, the total periodic expense (i.e., the sum of interest and depreciation expense) is generally higher in the early periods and lower in the later periods. Because a constant interest rate is applied to the lease liability, interest expense decreases as cash payments are made during the lease term and the lease liability decreases. Therefore, more interest expense is incurred in the early periods and less in the later periods. This trend in the interest expense, combined with straight-line depreciation of the right-of-use asset, results in a front-loaded expense recognition pattern. This expense pattern is consistent with the subsequent measurement of finance leases under IAS 17.

Worked Example

Entity ABC (lessee) enters into a three-year lease of equipment. ABC agrees to make the following annual payments at the end of each year: AED10,000 in year one, AED12,000 in year two and AED14,000 in year three. For simplicity, there are no other elements to the lease payments. The initial capitalisation value of the right-of-use asset and lease liability is AED33,000 (present value of lease payments using a discount rate of approximately 4.235% in this example). ABC depreciates the capitalised asset on a straight-line basis over the lease term.

Capitalised Asset	33,000	
Lease Liability		33,000

[To initially recognise the lease-related asset and liability]

The following journal entries would be recorded in the first year:

Interest expense	1,398	
Lease liability		1,398

[To record interest expense and accrete the lease liability using the interest method (AED33,000 x 4.235%)]

Depreciation expense	11,000	
Capitalised Asset		11,000

[To record depreciation expense on the capitalised asset over the lease period (33000/3)]

Lease liability	10,000	
Cash/bank		10,000

[To record the lease payment]

	Initial	Y1	Y2	Y3
Cash lease payments	-	10,000	12,000	14,000
Recognition of lease expense				
Interest	-	1,398	1,033	569
Depreciation	-	11,000	11,000	11,000
	-	12,398	12,033	11,569
Balance Sheet				
Capitalised Asset	33,000	22,000	11,000	-
Lease Liability	(33,000)	(24,398)	(13,431)	-



دائرة الثقافة والسياحة
DEPARTMENT OF CULTURE
AND TOURISM

All licensed hotel establishments in the Emirate of Abu Dhabi are required to adjust their reporting processes and implement the guidelines as of 01/01/2021. **تلتزم جميع المنشآت الفندقية المرخصة في إمارة أبوظبي بتعديل أوضاعها وتطبيق الدليل اعتباراً من تاريخ 1/1/2021.**

To answer any queries about the new guidelines, DCT will be holding orientation and awareness workshops for licensed hotel establishments via Microsoft Teams. وعليه سنقوم لاحقاً بعقد ورش عمل تعريفية وتوعوية خاصة بالدليل عن بعد عبر تطبيق "تيمز".

For further inquiries, kindly contact Mr. Husain Al Hashemi, Accounts Receivable Operations Section Manager, on landline 025995209, mobile phone 0564113230, or email HHashmi@dctabudhabi.ae. للمزيد من الاستفسارات يمكنكم التواصل مع السيد حسين الهاشمي - مدير قسم الحسابات المدينة على الهاتف رقم 025995209، أو 0564113230 عبر البريد الإلكتروني التالي: HHashmi@dctabudhabi.ae.

Thank you for your cooperation.

شاكرين لكم حسن تعاونكم،

Kind Regards.

وتفضلوا بقبول فائق الاحترام والتقدير.

Department of Culture and Tourism - Abu Dhabi

دائرة الثقافة والسياحة - أبوظبي

