

MODULE IV**CHARGES & CREDITS****Settlement of Accounts**

This is the final and concluding phase of the front office accounting cycle. The settlement of account refers to zeroing the balance in a guest folio. The formula for calculating the outstanding balance is as follows:

Opening balance + Debit entries - Credit entries = Outstanding amount

The guest account may have a credit or debit balance during the stay of the guest. At the time of departure, the final bill of the guest is prepared and settled in such a way that the outstanding balance is brought to zero. If the advance paid by the guest is less than the total billing amount, the guest should pay the balance amount.

For example, Shreya had made an advance payment of 18,000 at the time of reservation. Her total bill at the time of check-out is 21,000, so she pays the balance of 3000 to the cashier. In case the amount paid in advance exceeds the billing amount, the balance is refunded to the guest to settle the guest account.

For example, Kiran paid 10,000 for her stay, but due to an emergency, she had to leave in a day and her bill came to 4500. The balance amount of 5500 is refunded to Kiran.

The settlement of the guest account may be done by cash or credit. In case of credit settlement, the account balance is transferred to the city ledger and the responsibility of collecting the balance is transferred to the accounts department.

For example, Vijay's room bill is sent to Microsoft India for settlement as per the billing instructions while the other bills are settled directly by him at the hotel as

per actuals. Anuja's bills came to a total of 5000. As she had deposited the same amount as advance, she does not need to make any additional payment nor does the hotel need to provide any refund.

Need and Importance of Cash and Credit Control

A hotel caters to the needs of accommodation, food and beverage, and recreation of their guests. The guests are provided with facility of credit for the value of the services they received from the hotel, which means, they do not have to pay at the time of receiving services. There are several reasons to exercise a strict control over cash and credit facility offered to the hotel guests, which include the following:

- Prevents loss of hotel revenue if a guest turns to be a skipper or leaves the hotel without settling their bills unintentionally.
- Helps the hotel to stay away from legal proceedings to recover the loss caused by payments of bills at a later stage. Legal proceedings are a costly affair, which arise due to lenient control on cash and credit.
- Eliminates inconvenience and dissatisfaction among guests and management.
- Builds the hotel's reputation among its stakeholders for convenience and clear understanding.

Cash Control

A huge amount of cash is generated at the cash counter for all points of sale such as restaurants, banquets, recreation centers, and bar during their operation, and with the front office cashier during peak hours of check-ins and check-outs. Cash

is highly vulnerable to fraud; hence, it should be strictly controlled to prevent loss of revenue earned by the hotel. The following steps can be taken by the management to control cash in the hotel:

- Cash transactions should be immediately recorded in proper account, and cash receipt should be given to the guests before collecting cash from them.
- Cash should always be kept under lock and key in cash boxes/drawers under careful supervision of an authorized person like the cashier.
- The cashier should deposit cash to an authorized person in the accounts department at a pre-determined time (as fixed by management, normally at the end of the shift) and pre-determined level of cash accumulated at their counter.
- Keeping large amount of cash at the point of sale should be avoided to prevent the risk of theft.
- Currency should be checked for genuineness; otherwise, it may lead to loss of revenue because once the guest leaves the hotel, we may not be in a position to contact him at a later date. While accepting foreign currency, extra care should be taken.
- The cash boxes/drawers should be handed over to next shift in-charge along with cash register and should be signed by both shift cashiers.
- Cash generated in the hotels should be regularly deposited in the bank by security vans and trained security guards. The security guards should also be trained to handle situations of emergency and possess the arms and ammunitions to deal with such requirements.
- For increased safety, the hotel may change the shifts of guards and drivers of the cash deposit van sent for depositing cash at bank. The management

might also prefer to have a branch of the bank/extension counter within the hotel premises.

Credit Control

Apart from the cash payment, nowadays guests prefer to settle their bills using credit mode of payment such as travel agent voucher, credit cards, meal and accommodation order (MAO) of airlines, and bills to company (having agreement with hotel). The credit monitoring can be done in the following ways to prevent the loss of hotel revenue:

- In general, hotels fix an amount, known as **house limit**, up to which credit is allowed to every guest. Once a guest exceeds that limit, the front office may ask him/her to pay the credited amount before providing any further credit.
- Before allowing any credit facility, all the points of sale should ensure if the guest is an in-house guest or not.
- The genuineness and acceptability of the credit voucher such as MAO, travel agent's voucher, and bill to company should be presented by the guest.
- Extra care should be taken in case of scanty baggage/walk-in guest while extending credit. In general, hotels do not offer credit to them unless and until the guest is familiar.
- The hotel's front office department sends an all payment cash (APC) note to all the a point of sales in case of walk-in guest, scanty baggage guest, and those guests who are not offered credit facility by hotel. The cashier at the point of sale needs to be extra cautious while billing these in-house guests.
- While accepting credit cards as a mode of settlement of bills, their genuineness, validity, and floor limit should be checked by the cashier.

- Hotels do not accept third party credit card for payment. The cashier should ask the guest to put their signatures at appropriate places in the charge voucher.
- When accepting airline passenger service order and MAO, they should be attached to their guest registration card (GRC) and sent to bill section for creating folio.
- At the time of departure, the guest account balances are zeroed and the credit vouchers such as MAO, PSO, or travel agent's voucher/bill to the company are transferred to the city ledger so that their payment process is initiated in time as per terms and conditions of the agreement.

A control over cash and credit is essential to ensure profitability and healthy hospitality operations. It prevents possible fraud, theft, and loss of hard-earned revenue. Thus, a strict control over cash and credit is generally maintained in various hotels.

Cashier's Report

1. Cash received book

This book records all cash & cheques received by the front office cash section and at the end of the day, it analyse according to the hotel policies.

2. Main cash book

It is also called as "Cash sheet" which records all receipts & payments, to & from the bank account (or cashier section) and may be kept under the accountant's direct supervision or by the cashier. In many small hotels, it is combined with cash received book.

3. Petty cash book and vouchers

A petty cash book records all small kinds of expenses or payments like - flower, postage, visitors paid out, stationary & so on expenses that occurred on daily basis. While petty cash vouchers are used as an evidence or proof of made payments. Petty cash vouchers must be signed by the person receiving cash & suitably authorised.

4. Receipt Book for Cash Received

Receipts are issued when guest's accounts are paid & for all other sums received, including "chance" takings from departments. The top copy is attached to the departmental record or guests' bill and the duplicate copy is used for making entries in the cash received book & the visitors tabular ledger. No stamp is required on receipts issued to department.

This book or register are for signature by persons receiving cash from the hotel to support payment made by the cashier and should give date, amount received & particular of payment. These are used for cash refunds of deposits to guest and other payments to outsiders.

5. Receipt Book for valuables

This book or register is used to registering the entries related with all guest's valuables in hotel's safe deposits box.

6. Records of Currency Exchanged

This book, receipt or voucher will give the name, room number of the guest, particular of foreign currency, foreign travellers cheque or fore credit handled and rate & amount of rupees, letter of credit handled and rate and amount sterling or

dollar given. It may also provide for the signature of the guest with columns for commission and the amount received from the bank.

7. Cashier report

Each cashier whether at the front desk or any other outlet, restaurant, or any other point of sale, makes a daily cash report. These reports are audited and the total cash midis combined in a daily deposit. The funds are audited by the night auditor during the night shift.

8. High balance report

It may be prepared by the cashier's desk or by the night auditor in large hotels by credit manager) which has all the amounts whose totals are near to or in excess of the limit. If it has been reached to the maximum limit then a guest informed to settle their account to date and new account will be started for the rest of their stay.

9. Currency Declaration form

This form is usually filled at the time of arrival in India. It is also required to show at the time of exchanging currency at any authorised dealer. This form is used to declare the unspent foreign currency which previously brought by the travellers. This form is a kind of permission in itself to take back any unspent foreign currency.

10. Encashment certificate

This certificate is issued to foreign nationals in respect of exchanged foreign currency which work as proof or evidence that the currency has been exchanged at authorised dealer or person.