

UNIT 2

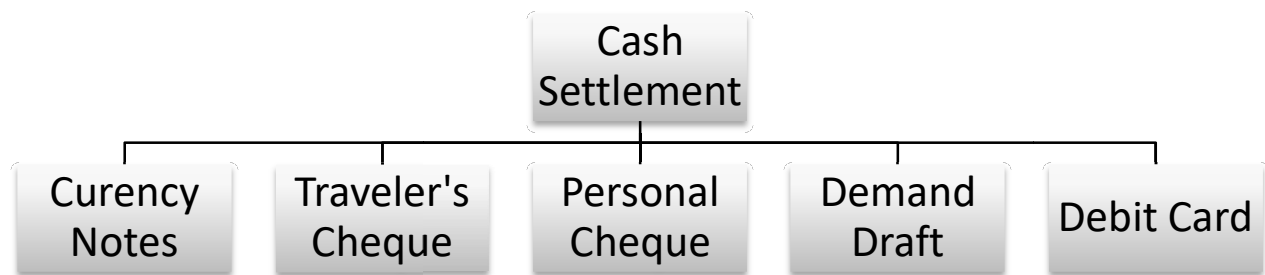
MODES OF SETTLEMENT

MODE OF SETTLEMENT OF BILLS

Hotels determine the mode of settling the guest accounts at the time of registration or at the time of receiving the reservation request. This makes it very convenient for the front desk employee to prepare the guest bill at the time of check-out. There are several acceptable modes of payment such as foreign currency, traveler's cheque, demand draft, debit card, and credit card.

CASH SETTLEMENT

The cash payment option is one of the most preferred modes of settlement of guest accounts. At the time of settlement, the cashier zeroes the balance in the guest account. If there is a credit balance in the guest folio, the hotel will pay back the balance amount to the guest to make the balance zero; whereas, if there is a debit balance in the guest folio, the hotel will collect the balance amount from the guest to make the folio balance zero.



1. Currency Notes

Guests can settle their accounts by paying through currency notes. This is one of the most widely accepted modes of account settlement. While accepting currency notes, the cashier should check if the currency notes are genuine.

The following procedure is generally adopted for accepting cash payments:

- In case of accepting foreign currency from the guest, the cashier checks the daily currency conversion rate.
- To avoid any disputes, the cashier should retain the cash amount outside the cash drawer till the transaction is completed.

- The cashier should count the value of the currency in front of the guest.
- In case of accepting foreign currency from the guest, the cashier prepares the currency encashment certificate.
- The cashier issues a receipt for the transaction.
- As per government regulations, the cashier should accept only foreign currency from foreigners and return the balance amount, if any, in local currency.

2. Traveler's Cheque

A traveler's cheque or TC is an internationally accepted cheque for a sum in a specific currency that can be exchanged elsewhere for local currency or goods. It is also one of the most widely accepted modes of account settlement. Issued by the financial institutions, (such as Bank, Post Office, Currency exchange offices, travel agents) it functions as cash and is protected against loss or theft. The Traveler's cheques are useful, especially in the case of overseas travel where credit and debit cards are not accepted. When a person exchanges traveler's cheque for cash, he/she usually incurs a charge or commission, though some banks waive this charge.

The purchaser of the traveler's cheque puts two signatures-one in front of the issuing authority and the second in front of the encashing authority. In order to prevent any use, the loss of a traveler's cheque should be immediately reported to the issuing bank and the local police authority.

While accepting a traveler's cheque from a guest for the settlement of bills, the front desk cashier should proceed as follows:

- Ensure that the second signature on the cheque is put in front of him.
- Check the guest's passport to establish identity.
- Note down the passport number at the back of the traveller's cheque.
- If the traveler's cheque is in foreign currency, calculate the correct exchange value as per the daily rate.
- Return the balance to the guest in local currency.

3. Personal Cheque

Personal cheque are cheque drawn against the funds deposited in an individual's personal bank account. It is normally not an accepted mode of account settlement. However, hotels may accept personal cheque from frequent guests or guests from companies that provide a high volume of business to the hotel. In case a guest has to get an authorization from the lobby manager.

On receiving this authorization, the front office associate needs to check the follow details while accepting personal cheque:

- Verify whether the signatures in the application form and the cheque.
- Verify whether the cheque is crossed as 'A/c Payee only'.
- Verify whether the amount in figures and words is the same.
- Verify whether the date on the cheque is valid.
- Accept only MICR (Magnetic Ink Character Reader) cheque.
- Do not accept second or third party cheque.

4. Demand Draft

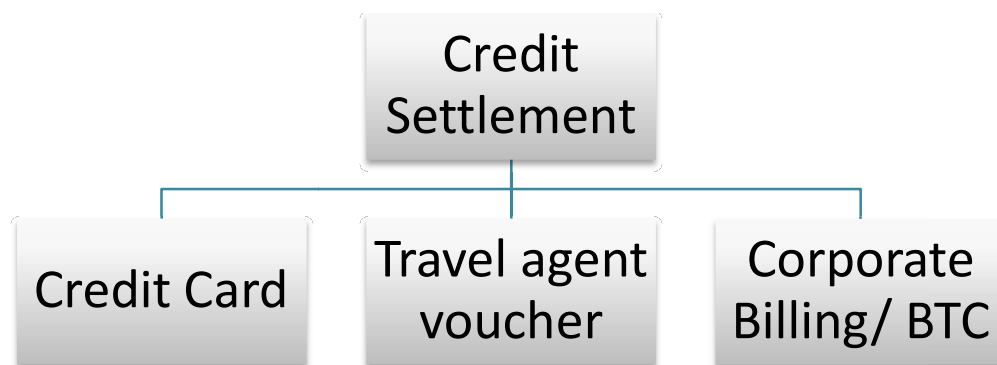
A demand draft is a written order from the bank for the payment of money upon presenting the same. A person may obtain a demand draft from a bank by filling the required form and paying the draft amount and the bank's commission. It is a secured and widely accepted mode of payment.

5. Debit Card

A debit card is a card (usually plastic) that allows customers to access their fund immediately and electronically. It is a safe mode of account settlement as the amount is instantly transferred to the hotel's account. In many countries, it also acts as an ATM card, which is used to withdraw money from ATMs (automated teller machines). When the card is swiped, the electronic fund transfer point of sale (EFTPOS) terminal contacts the computer network of the bank to verify and authorize the transaction.

CREDIT SETTLEMENT

A credit settlement is an arrangement for the deferred payment of goods and services, that is, a settlement in which the hotel does not receive any payment on the day of departure of the guest but would receive it later. The various credit modes are:



1. Credit Card/Charge Card Payments

A credit card is a payment card (usually plastic) that allows the owner to obtain goods and services on credit terms, without paying cash. It may be used repeatedly to borrow money or buy goods and services on credit. In addition to obtaining goods, credit cards can also be used to obtain cash. The issuer (bank) assures the seller (hotel) that the owner (guest) has a satisfactory credit rating and that the bank will see to it that the hotel receives payment for the merchandise delivered. Transactions during a month are totalled and presented to the cardholder for settlement on a monthly basis. Alternatively, a percentage of the outstanding amount can be paid and the balance extended to the next month and so on.

It is one of the most favored modes of account settlement, and it is also more convenient for the travelers to carry credit card(s) rather than carrying cash. Most of the hotels accept all major credit cards.

While processing the payment through credit cards, the front desk cashier follows the following procedure:

- Checks the cardholder's name on the card.
- Checks the expiry date of the card.
- Checks if the card is not a stolen card.
- Checks the credit limit of the card and if the amount of the bill exceeds the limit of the credit card, the cashier requests the guest to pay the balance amount by cash.
- Swipes the card through the EFTPOS terminal for verification and authorization from the issuer of the credit card.
- Asks the guest to sign on the transaction slip.
- Verifies the guest signature on the transaction slip with the signature on the signature panel at the reverse of the card.
- Returns the credit card and the carbon copy of the transaction slip to the guest.
- Follows the standard operation procedure to process the payment of the guest folio according to the house customs.

2. Travel agent vouchers

Tour operators and travel agencies selling packages or customized tours make bookings for a guest's accommodation, food and beverage, and other services. In most cases, they receive the advance payment from the travelers at the time of selling the tour package itself. The travel agency (TA) sends a voucher to the service provider (hotel) with the details of the billing procedure (direct payment by the guest or bill to TA) and the services (room and meal plan) to be provided to the traveler. Apart from travel agencies and tour operators, airlines (that have contracts with hotels) also send meals and accommodation order (MAO) or passenger service order (PSO) to layover passengers in case of flight delays and cancellations.

In such cases, the hotels will obtain the payments from the TA or the airline. While processing the TA voucher/MAO/PSO, the front desk cashier should proceed as follows:

- Read the vouchers carefully.
- Refer to the list of approved TAs to whom the hotel offers credit.
- Check the billing instructions carefully.
- In the case of a foreign TA's voucher, obtain an authorization from the lobby manager.
- Check the expenses covered by the voucher.
- Collect the payment from the guest for the services not covered or included in the voucher; for example, the bills for spa treatments.
- Attach all the vouchers signed by the guest with the master bill, and ask the guest to verify and sign the bill.
- Do not give the copies of signed bills to the guest (as these have to be presented to the travel agent, who will make the payment to the hotel in this case).
- Send the guest bill and vouchers to the accounts department for the collection of the amount from the travel agent.

3. Corporate Billing or Bill to Company Letter

Some companies, whose executives travel at the expense of the company, make a deal with hotels, whereby they determine the rates for different types of rooms and meal plans to be offered to their executives. The terms and conditions of the payment are also predetermined. The reservations are made by the company on behalf of the travelling executives. The executives carry a letter from their company, which is called a bill to company (BTC) letter, as a proof of their identity.

The front desk cashier proceeds with the following procedure while processing BTC:

- Establishes the identity of the guest by asking him/her to show his/her identity card or/and the BTC letter, which is prepared on the company letterhead.
- Checks and verifies that the company is listed in the company volume guarantee rate (CVGR) list of the hotel.
- Checks the services that are included in the agreement with the company; any service or facility utilized by the guest that is not covered by the company should be charged separately from the guest.
- Prepares the guest bill, along with all the supporting vouchers and asks the guest to verify and sign the bill.
- Does not give the bill to the guest as these have to be given to the company, which will make the payment to the hotel.
- Sends the duly signed bill to the accounts department for collection from the company.

Sometimes the guests utilize facilities and services, such as telephone, laundry, and drinks, which are not covered by the TA voucher or company agreement. In such cases, the guests should settle these sundry transactions by making a direct payment to the hotel.