

Cash and credit control

Any hotel business will have to deal with cash and credit transactions, both of which are risky. It's critical to create and apply some effective management methods so that the risk is decreased or eliminated entirely, and the hotel can continue to run profitably.

In general, control can be managed thus:

1. **Organization:** the organization charts devised and circulated by the management give a clear picture to employees about the various levels of operation in the organization. They help in knowing and understanding the reporting patterns and the responsibilities of each employee, whichever level they are placed at.

2. **Responsibilities:** job descriptions also help as control measures as they clearly inform the staff of their responsibilities in a particular job designation. They clarify the limits of their responsibilities and the scope of their authority, the staff they report to or supervise, and ensuring that there is no overlap of duties and the resulting confusion is avoided.

3. **Supervision:** good supervision results in reduction in mistakes and avoidance of shortcuts often taken by employees to reduce time and effort and which results in grave and serious mistakes that cost the hotel dearly.

4. **Security measures:** physical security of the premises also helps in avoiding losses to the hotel. Safety and security equipment, personnel and procedures need to be carefully planned and implemented- safe deposit lockers, key handling, use of cctv, designing of the public spaces, etc.

5. **Procedures:** all procedures for handling cash and credit situations should be clear cut and communicated to the relevant levels of employees. Comprehension, training and follow up should be the main consideration.

CREDIT CONTROL

A guest room is the most perishable article sold in any type of business. The income from today's vacant room is lost forever. Often a hotel must accept business, whether for a guestroom or a banquet even though it may involve a credit risk. Credit limits depend on the operation, the level of charges and the type of guest. The increased use of credit, the longer time taken by guests to pay their bills and the cash requirements of the operation also contribute to the greater stringency of the credit procedures now in effect in most hotels.

IMPORTANCE OF CREDIT CONTROL

Hotels need to have a healthy cash flow in order to survive and succeed and they try to achieve this by exercising control over the credit given to guests. To achieve a balance between the needs and convenience of the hotel guest (credit facilities) and the needs of the hotel (cash flow), every organization will need to have an effective credit policy in place.

- Credit control plays an important role when it comes to maintaining lending companies' cash flows.
- Consider an instance where a lender takes an uncoordinated decision and loans credit to a borrower with a poor credit record. Chances are the borrower is likely to miss out or delay the payments with respect to the past credit record.
- If this continues on a wider scale where the borrower is unable to repay the debt and default on the payments, the lender could eventually end up with inadequate liquidity and in the worst-case scenario might have to shut down its operations.
- Credit control ensures that only prospective customers who have a good credit history of making their debt repayments are preferred. This will ensure that the company will have enough cash flow and liquidity to maintain its operations.

PROBLEMS IN CREDIT CONTROL MAY ARISE IF:

- Guest is not explained clearly as to which credit cards/foreign currencies are accepted by the hotel.
- The guest is not informed that if his bill exceeds the house limit, he will have to pay the balance in cash
- Communication gap between accounts department and cashier or night auditor and cashier
- Negligence by the staff to look at the black list

CASH CONTROL:

- All cash must be kept under lock and key and under the supervision of the cashier.
- The cash bank/float given to the cashier is also controlled and a check is kept on the same
- The cashier should take proper precautions when dealing with foreign currency
- Whenever the guest pays in cash the cashier has to make a cash receipt and hand it over to the guest.
- The cash collected everyday should be sent to the bank for deposit
- Cash control is important from the point of view of hotel as credit sales are usually discouraged.

PROTECTION OF HOTEL FUNDS:

- Cashiers should make frequent money drops to have minimum cash in hand.
- Cash drawers should be accessible to only one cashier at a time and should be kept closed when not in use.
- Alarm systems should be installed in all areas of the hotel where cash transactions take place.
- A consistent system for handling bank deposits and money pickup should be developed and followed.

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- Staff handling money like the cashier, security etc. should be appointed only after strict scrutiny and cross checking with their previous employers. They should be rotated from time to time and a new combination of staff should be used.