

1/2. FRONT OFFICE ACCOUNTING- AN INTRODUCTION

Objectives of this lesson: *After completion of this lesson, the learner will be able to:*

- ✓ Explain the front office guest cycle and related accounting activities- **the FO accounting cycle**
- ✓ Explain the **importance** of front office accounting for **guests** and the **hotel**.
- ✓ Explain the **accounting elements and terms** commonly used in FO accounting.

A front office accounting system is an essential process **designed to monitor and chart the financial transactions of guests and non-guest at the hotel during each stage of the guest cycle.**

An effective guest accounting system includes tasks performed during each stage of the **guest cycle**:

- ✓ During the **pre-arrival stage** of the guest cycle, a guest accounting system captures data related to the form of guarantee for a reservation, and tracks pre- payment and advance deposits.
- ✓ When the guest **arrives** at the hotel, a guest accounting system documents the application of room rate and tax at registration.
- ✓ During **occupancy**, a guest accounting system is responsible for tracking guest charge purchase.
- ✓ During guest **checkout**, a guest accounting system ensures payment for goods and services provided.
- ✓ **After guest check out**- if a guest's bill is not fully paid at checkout, the balance is transferred from guest to non –guest records. When this occurs, collection becomes the responsibility of the **back office accounting division**.
(Draw in journal and refer to **front office accounting cycle diagram**)

Note:

- ❖ The financial transactions of **non-guests** may also be processed within the parameters of front office accounting.
- ❖ A hotel may allow transactions involving non-guests in order to promote the hotel to local businesses; to track the unsettled bills of former guests; or to track transactions related to conference business at the hotel .

So, the specific **functions of a front office accounting system (FOAS)** are to:

- **Create and maintain** an accurate accounting file for each guest or non-guest account
- **Track** financial transactions throughout the guest cycle
- Ensure **internal control** over cash and non-cash transaction
- **Obtain settlement** for all goods and services provided

The front office's ability to monitor and chart guest and non-guest transaction will directly affect its ability to collect outstanding balances.

Incomplete or inaccurate monitoring may lead to difficulties in settlement.

ACCOUNTING FUNDAMENTALS

IMPORTANCE OF ACCOUNTING FOR FRONT OFFICE:

- Being familiar with company procedures and accounting needs **and** being able to identify customer needs *facilitates efficient work practices and promotes guest satisfaction*.
- When proper, **clear information is provided to guests**, it prevents the occurrence of unpleasant surprises to guests in the form of unexpected charges, etc. that are sure to disturb them and cause unnecessary arguments and delays, especially at check out.
- Also, guest accounts must be **updated** regularly with charges and adjustments because this impacts on **company profits** in the following ways:
 - ✓ Accounts are kept **up to date** with the minimum of effort. This impact positively on productivity and efficiency. Less time will be spent trying to find outstanding documents and dealing with discrepancies.
 - ✓ To **minimise** the chances of the guest departing before all charges have been posted. This would save on costs of contacting the guest and losing out on payments especially with foreign guests.
 - ✓ To reassure guests that their accounts are being **managed accurately and efficiently**. A satisfied guest implies repeat business.
- **Security purposes:** to prevent unauthorized access and the tampering of accounts, such as, the creation of false revenue and fraudulent charges and adjustments to guest accounts.
- **Inaccurate transactions:** The presence of unauthorised persons in one's work area increases the risk of inaccurate transactions. Not only will the company suffer from account imbalances and profit losses, but the guest may be upset at having incorrect charges etc. This affects guest satisfaction, which in turn affects repeat business.
- **Personal accountability:** Front desk staffs that handle and process guest accounts are responsible and accountable for computer transactions and for the filing and storage of account documentation while on duty.
- **All guest information is confidential:** this includes account information, and unauthorised persons must not be allowed access to such information.

Basic Accounting Terminology:

The design of a front office accounting system is unique to hotel operations. Both, **terminology** and **report formats**, often differ from those of other accounting systems. A brief review of some of the basic concepts of front office accounting follows.

1. ACCOUNT

An account is a form on which financial data are accumulated and summarized.

- ✓ An account may be imagined as a bin or container in which the results of various business transactions are stored.
- ✓ The increases and decreases in an account are summarized and the resulting monetary amount is the account balance.
- ✓ All financial transactions that occur in a hotel affect some account.
- ✓ Front office accounts are record keeping devices to store information about guest and non-guest financial transactions.

In its simplest written form, an account resembles the letter T:

Account Name	
Charge	Payment

For a front office account, charges are increases in the account balance and are entered on the left side of the T, while payments are decreases in the account balance and are entered on the right side of the T.

The **account balance** is the difference between the totals of the entries on the left side and the right side of the T-account.

A **journal form** is typically used for front office accounting documents. In a non-automated or semi- automated recordkeeping system, the **journal form** might look like this:

Description of Account	Charge	Payment	Balance

In a journal, similar to a T-account, increases in the account balance are entered under charges, while decreases in the account balance are entered under payments.

In a fully automated system, charges and payments may be listed in a single column with the amounts of payment placed within parentheses(brackets) to indicate their effect (a decrease) on the account balance or **a positive amount depicting a debit charge and a negative amount indicating a payment made by the guest**- usually this can be seen in automated or computerised guest folios.

In accounting terminology, the left side of an account is called the **debit** side and the right side is called the **credit** side.

In double entry bookkeeping, every transaction creates entries that affect at least two accounts. The sum of the debit entries created by a transaction must equal the sum of the credit entries created by that transaction. This fact forms the basis of the night audit.

There are **three main types of accounts** maintained by the front office cashier that record a hotel's transaction with three different types of customers:

- a. Resident guest accounts
- b. City accounts or non-guest accounts
- c. Management accounts

a. Resident accounts or guest accounts:

Most of the accounts held by the front office cashier are the **resident guest accounts**, which show the financial transactions with guests who have registered and who are currently staying at the hotel.

- A guest account is a record of financial transactions, which occur between the in-house guest and the hotel.
- Guest accounts are created when guests guarantee their reservations or at the time of their registration.
- During occupancy, the front office records all transactions affecting the balance of a guest account.
- The hotel usually receives payment for any outstanding guest account balance during the settlement stage of the guest cycle, although circumstances may require partial or full payment at other times during the guest cycle.
- Some of the resident guests may have their accommodation charges settled by their company, while they settle incidentals themselves. In these situations, the resident guest has to have two folios:

- ✓ The **master folio** or account for the room charges, which will be sent to the company for settlement. A copy of this account is sent to the city ledger.
- ✓ The **incidentals folio** , which the guest will settle personally at check out.

b. City Accounts or non-guest accounts:

City accounts are records of financial transactions between the hotel and non-resident guests. These accounts may also be called **house accounts** or **city accounts**. These could include accounts held by:

- Local business people who are not resident in the hotel but who use the hotel facilities and services for entertainment or business meetings agencies as a means of promotion.
- Guests who walk out of the hotel without settling the outstanding balance on their account (skippers). Walk-outs are no longer residents so their account is transferred to the city ledger, to either await eventual payment, or to be written off as a bad debt.
- Guests who have sent pre-payments to guarantee their bookings but have not yet arrived or checked in- This amount is normally recorded in the accounts payable ledger till check in of the guest.
- Non-guest accounts also include accounts of former guests, which were not satisfactorily settled at the time of their departure- e.g. DNCO guests.
- Unlike guest accounts, non-guest accounts are normally billed on a monthly basis by the hotel's back office accounting division.

c. Management Accounts:

These are expense accounts or allowances given by some hotels to the hotel managers to entertain guests or potential clients. For example, if a guest has a complaint about the hotel, the assistant manager may invite them to have a drink with him after the problem is resolved and this charge will be debited to management expense accounts.

Distinguish between **Guest Account** & **Non guest Account**

	Guest Account	Non Guest Account
1	Record of all financial transactions that occur between the guest and the hotel when they guarantee a reservation or they are registered at the Front Office	Refers to all in-house charge privileges extended to local businesses or agencies eg. Banquets & conferencing facilities. These are also created when a former guest fails to settle his bill at the time of departure & the responsibility of recovering the balance amount shifts from Front Office to Accounts Dept. Or back office accounting.
2	These are compiled on a daily basis.	Billed on a monthly basis.
3	Front Office is responsible for its maintenance.	Back office or Accounts Dept takes the responsibility of account settlement.

2. FOLIOS: Front office transactions are typically recorded on folios. **A folio is a statement of all transactions affecting the balance of a single account.**

When an account is created, it is assigned a folio with a balance of zero. The front office records on the folio all transactions which increase or decrease the balance of the account. At settlement, the folio's record of a guest account is returned to a zero balance by cash payment or by transfer to an approved credit card or **direct billing account** (an account with a contract with a third party- TA or Company, etc.).

Postings: The process of recording transactions on a guest folio is called posting. A transaction is said to be posted when it has been recorded on the proper folio and a new balance has been determined. When posting transactions, the front office may use handwritten folios (non-automated system), machine –posted folios (semi-automated system), or computer based electronic folios (fully automated system).

Types of Postings:

There are two basic types of transactions that are posted to a guest account: **debit** entries and **credit** entries.

Debit entries increase the guest's outstanding balance. Common **debit items** include:

- Room charges
 - Telephone
 - Use of hotel facilities- health centre, business centre, transportation
- * restaurant/coffee shop/ bar
 - * laundry

Credit entries made in the guest folio reduce the guest's outstanding balance and are usually indicated by a **negative amount** (e.g. Rs. -300/-). Common **credit entries** include:

- Prepayments * Payments for part of the bill during stay
- Payments for final settlement * amendments/adjustments/allowances to the bill

Types of folios:

- **Guest folio:** an account assigned to an individual person or guestroom
- **Master folio:** an account assigned to more than one person or guestroom, usually reserved for **group accounts** or a folio containing the charges that would be billed to company/airline/Travel Agent, accounts.
- **Incidentals folio:** An incidentals folio is created in addition to the master folio and this incidentals folio records all expenses (incidental charges) to be paid by the guest at the time of checkout.

To sum it up, the **master folio** would commonly contain the charges of a room, etc. that are to be paid by the group/company and the **incidental folio of the same room** would contain all other charges (incidentals) that are to be settled by the guest himself at departure.

- **Non-guest or semi-permanent folio/ city folio:** an account assigned to a non-guest business or agency with hotel charge purchase privileges. Or a record of financial transactions between a hotel and non-resident guests.
- **Employee folio:** an account assigned to an employee with charge purchase privileges, e.g. at the coffee shop or pastry shop. This contains the credit transactions between a hotel and its employees. The folio is created and maintained for employees to whom the hotel has permitted credit/charge purchases. The amount is later collected from the employees or deducted from their salaries.

Often, special circumstances may lead to unusual folio assignments. For example, a business guest may request that his or her charges and payments be split between two folios; one to record expenses to be paid by the business, and one to record personal expenses to be paid by the guest. In this situation, two folios (**split folio**) may be created for one guest for the same room.

3. VOUCHERS: A voucher is a document detailing a transaction to be posted to a front office accounts. Or it is a written statement or a documentary evidence of a financial transaction.

- A voucher is used to transfer transaction information from the source of the transaction (POS) to the front office.

- A common use of vouchers is to notify the front office of guest charge purchases at the hotel's revenue outlets, which need posting. Several types of vouchers are used in front office accounting.

TYPES OF VOUCHERS:

- | | |
|---------------------------|-------------------------------------|
| 1. Cash Receipt Voucher | 6. Commission Voucher |
| 2. Charge Voucher | 7. Petty Cash Voucher |
| 3. Allowance Voucher | 8. Miscellaneous Charge Order (MCO) |
| 4. Paid-out Voucher (VPO) | |
| 5. Transfer voucher | |

In a computerized accounting system, terminals are interfaced with front office computers, thus, electronically transmitting transaction information to front office accounts. Vouchers may then be used as a hard copy for cross-referencing during the night audit. (Draw **Formats**)

Distinguish between **Voucher & Folio**

	Voucher	Folio
1	It gives details of a single transaction to be posted at the Front Office. For E.g. A florist or a gift shop might not have provision of posting a particular transaction into a registered guest account. They can send the voucher to notify the FO of guest charge privileges that need posting.	Refers to the statement of all transactions (debits & credits) affecting the balance of a single account . This may include all non guest or guest accounts.
2	It gives all the information about one transaction documented at the <u>source</u> of transaction (POS).	This gives details of all the transactions under a particular account; contains all transactions that increase or decrease the balance.
3	The voucher accounts for a single posting .	Whereas a folio lists out all the postings in an account.
4	Created at POS	Created and maintained at front office cashier/accounting.
5	Types of Vouchers are cash vouchers, charge vouchers, transfer vouchers, allowance vouchers & paid-out vouchers.	Some of the types of Folios are Guest folios, Master folios & Incidental folios, Non-guest or Semi Permanent Folios, Employee Folios.

4. POINT OF SALE (POS):

A point of sale is the time and location at which goods or services are purchased.

Any hotel department that collects revenues for its goods or services is considered a **revenue centre and thus a point of sale**. Large hotels typically support a wide variety of points of sale, including restaurants, lounge, room service, valet service, parking garages, and telephone

service. The front office accounting system must be designed to ensure that all charge purchases at these points of sale, result in postings made in guest folios.

The volume of goods and services purchased at scattered points of sale requires a complex internal accounting system to ensure proper posting and documentation of sales activities.

4. LEDGER: A ledger is a grouping of accounts.

A hotel uses two main types of ledgers:

- A. a Back Office Accounts **Receivable** ledger (A/R) and
- B. a Back Office Accounts **Payable** ledger.

TRANSFER OF GUEST ACCOUNTS TO THE BACK OFFICE ACCOUNTING:

Some methods of payment require transferring folio balances to the back office for further processing.

- Credit card payments are processed and added to the **master credit card account** according to type of card - Visa, MasterCard, etc. The Controller maintains this account as an accounts receivable.
- Bill-To-Account/ Direct Billing (for company/travel agent) charges must be transferred to the **back office accounts receivable**. The controller processes the account according to standard operating procedures, which are handled electronically in a PMS.

A) Back Office Accounts Receivable (A/R):

Once the guest has received the goods and enjoyed the services of the hotel, and settled the folio on a third party account, then this financial record must be **transferred** to the master accounts receivable for the hotel.

Example: at checkout, if a guest folio shows a debit balance of Rs. 15,000/- and the guest wants to pay that off by charging it to his MasterCard, then the amount is transferred to the **MasterCard Accounts Receivables**.

Front office accounting commonly separates **accounts receivable** into **two subsidiary groups**:

- (a) The **Guest ledger** (for guest receivables) and (b) a **City ledger** (for non- guest receivables)

a) GUEST LEDGER:

- The guest ledger is the **set of all guest accounts currently registered in the hotel**.
- Guests who make appropriate credit arrangements at registration may be extended a privilege to charge purchases to their individual accounts folio.
- Guests may also pay on their accounts at any time during occupancy.
- Guest financial transactions are recorded onto guest ledger to track receivable balances.
- The guest ledger may also be called the **transient ledger, front office ledger, or rooms' ledger**.

b) CITY LEDGER:

- The city ledger, also called **the non-guest ledger**, is the **collection of all non-guest accounts (house accounts and unsettled departed guest accounts)**.

- If a guest account is not settled in full by cash payment at check- out, the guest's folio balance is transferred from the guest ledger to the city ledger for collection.
- At the time of transfer, accounts collection becomes the responsibility of the back office accounting division.

Distinguish between **Guest Ledger & City Ledger**

	Guest Ledger	City Ledger
1	Is the set of guest accounts for registered guests or guests who have sent advance deposits.	Refers to the set of non guest accounts . For e.g., if a guest account is not settled in full on check out, the balance is transferred to the back office accounting division for collection.
2	Corresponds to registered guests or guests reserved for future dates.	May or may not account to registered guests alone
3	Records all financial transactions of an in-house guest.	Contains Credit Card payment accounts, Company accounts, direct billing accounts, outstanding accounts of guests stayed earlier and are due for collection.
4	Also referred to as transient ledger, front office ledger or rooms ledger .	It is also called Non-guest ledger .
5	Maintained at front office	Maintained by accounting division (back office accounts)

B. Back Office Accounts Payable:

These handle amounts of money **prepaid** on behalf of the guest to the hotel for future consumption of goods and services.

Example: when a guest deposits a sum of money (cheque) for a future stay or reservation before arrival, the cheque, dated Feb. 5th for a stay on March 10th , must be credited first to the hotel's back office accounts payable and then to the guests folio (at check in). This amount is held for the guest's arrival on March 10th, after which it is displayed as a credit (minus amount) entry in the guest folio which is activated upon registration.

This shows that activities in the guest ledger and city ledger are not isolated but reflected in the back office accounts. The guest and city ledger are temporary holding facilities for the guests' account- the back office accounts are the permanent areas for financial processing.

Some accounting terms to remember:-

- 1. Accounting** the process of collecting, recording, summarising, and analysing financial transactions of a business.
- 2. Ledger** A summary grouping of accounts
- 3. Guest Ledger** a ledger containing the details of transactions between a hotel and a resident guest or a set of registered hotel guest accounts
- 4. City Ledger**
 - Set of non-guest accounts
 - Transfer of non-settled accounts
 - Responsibility shifts from front office to accounting department

- 5. Folio** A statement of all the transactions that take place between a hotel and its guests.
- 6. Voucher-** Details a transaction to be posted
- 7. Guest accounts** The records of financial transactions that take place between a hotel and a resident guest.

Addendum: ACCOUNTS RECEIVABLE- an important topic

The accounts receivable section of Accounts is responsible for dealing with all resident guest accounts which were not settled in full at check out and with those who were not resident guests but still used the hotel facilities and have not yet settled their bill.

The work of this section includes mailing bills and statements after departure and thereby ensuring payments for services provided.

There are two basic types of accounts receivable in a hotel: the guest ledger and the city ledger.

1. Guest ledger: includes only the amounts due from resident guests- those occupying a room in the hotel and availing facilities on credit till check out. For example, an in-house guest signs the room service check thus allowing the accumulation of charges in his folio, till check out when he will finally settle it.

2. City ledger: includes all other amounts due, as from credit card companies, contracted companies, travel agents, skippers, DNCO, etc. here, when a guest checks out on his credit card or company account, he does not pay his bill in full. This outstanding balance is transferred to the city ledger. Or when a non-resident hotel guest charges a check at the restaurant to his account, the amount due is posted to the city ledger. The same happens in the case of banquet functions, weddings and other events.

In the city ledger the general classification of accounts is done thus:

- a. Banquets b. Credit Cards c. Travel Agents& Companies d. Others

a. Banquet Accounts: these make up a substantial portion of the total revenue and net earnings of the hotel. It is a very competitive and high-credit risk type of business.

b. Credit Cards: Credit cards are one of the most commonly used modes of account settlement today. Credit card companies guarantee full and prompt payment on behalf of their card holders.

The charge vouchers signed by guests are mailed within a specified time limit to the Credit Card Company. The cc company then sends a cheque (or bank transfer) for the net amount (total charges minus commission that is charged for providing services to the hotel).

c. Travel Agents/Companies: These accounts also involve substantial amounts of money and require special and prompt handling. Groups and conventions organized by the Travel Agents and companies usually involve accumulation of many individual guest bills in one master account. Some groups or companies pay for all their members' charges while others assume the responsibility for room and tax charges only.

I. Travel Agents:

i. Travel Agent - Tour/ Leisure Groups:

- ❖ Travel agents may book a package for any number of guests including room charges, meals, cocktails, etc. The plan applicable may also include sightseeing trips, etc.
- ❖ The guests pay the travel agents for the complete package and receive a pre-paid tour coupon/voucher from the travel agent or the hotel at registration and maybe coupons for different items included in the itinerary.
- ❖ When using the appropriate coupon at the POS the guest is asked to give the coupons to the person taking the order so that he may properly set up the charges to the travel agent.
- ❖ In addition, the guest must be informed of his financial responsibility for any items that he orders but which is **not included** in the coupon/ package.
- ❖ The hotel bills the travel agent for the fixed price of the whole plan, enclosing the pre-paid coupons collected from the guests to justify the total charges.

ii. Travel Agent- Individuals:

Travel agents also refer individual guests and small groups on a commission basis to hotels. These accounts are normally handled in **3 ways**:

1. The TA only makes the reservation; **the guest is responsible to the hotel for full amount of charges**. The hotel must pay the TA a commission for providing business to the hotel and should do so as soon as the guest checks out- whether the account is paid by the guest or not.
2. The TA collects all the room charges and other items included in the contract from the guest and deposits the net amount (after deducting his commission) with the hotel as a deposit on reservation.
The guest gets a **travel agent voucher** or coupon which is presented to the FO at the time of registration. And the guest receives full credit for the amount he has paid to the TA at the time of check out.
3. The TA collects a deposit from the guest and issues a voucher to him and the hotel but does not deposit any part of it to the hotel. The prepaid voucher ensures that the guest receives the correct credit at departure and it supports the invoice that the hotel must send to the agent for a net amount after the departure of the guest. Hotels allow this type of settlement only when prior credit arrangements have been made and the TA's credit has been approved. Commission will still be paid to the TA.

II. Companies:

- Many national and international companies enter into a contract with hotels to accommodate their **individual employees** when on tours, and any groups when attending **meetings and conferences**, etc.
- These contracts are based on the number of **room nights (number of rooms × number of nights)** expected to be occupied by the company representatives) they will

guarantee on an annual basis. Based on these room nights, both parties negotiate a room rate (CVGR- Company Volume Guaranteed Rate) and agree to certain charge elements (standard billing) to be billed to the company- e.g. room and tax only, or room, tax and F&B, etc.

- These accounts involve substantial amounts of money and require special and prompt handling.
- Groups and conventions and individual guest business from this source usually involves accumulation of many individual guest bills (**incidental folios**) in one **master account**.

4. Other Accounts:

- The final billing responsibility covers all other city ledger balances as well.
- These include **skipper accounts, DNCO balances**, etc., that need to be followed up for collection.
- These also include the outstanding balances of **guests who are not residents** but are allowed to use hotel facilities- usually F&B facilities, banquets, even exhibitions, etc. based on a prior approved agreement.
- **Late charges** or after-departure charges are also included here. These represent charges that were not included in the guest bill at check out.
 - ✓ If the guest paid the account in full, these late charges create an unpaid balance.
 - ✓ If the guest charges the account to a third party account- TA or Company- the amount due increases.
 - ✓ Merely billing the guest is not sufficient- an explanation or even an apology and a photocopy of the charges should accompany the statement.

In the next session (2/2 - "Front Office Accounting") the discussion will cover the **various functions of the Front Office Accounting System** FOAS, wherein we will discuss the **various modes of maintaining accounts, tracking transactions, carrying out internal control** and finally handling **settlement of accounts**.

1/2 Assignment-FOAS:

1. **Draw** the front office accounting cycle.
2. Explain the **accounting activities** that could occur during each stage of the guest cycle.
3. What is the **importance of Front Office Accounting to the hotel and guest?**
4. **Define:**
 - a. Voucher
 - b. Folio
 - c. POS
 - d. Posting
 - e. DNCO
 - f. Skipper
5. **Research** (refer to books) and explain these **types of vouchers (with examples) and draw their formats:**
 - Petty Cash Voucher
 - Miscellaneous Charge Voucher- MCO (used at POS)
6. Explain the **various types of folios** maintained by the FOAS.
7. Differentiate between:
 - a. Guest Account and Non-guest Account

- b. Voucher and Folio
 - b. Master folio and Incidentals folio
 - c. Guest ledger and City ledger
 - d. Management Account and Employee Folio
 - e. Accounts Payable ledger and Accounts Receivable ledger
8. State the number **of folios, type of accounts (resident or city ledger) and place of settlement (Front office or A/Cs dept.- back office)** for the following guests:
- a. An FIT who arrived today for 4 nights and will pay by cash.
 - b. Two conference delegates, who shared a room, checked out on a full corporate account.
 - c. A couple with a travel voucher for room charge, and US dollars for incidentals.
9. List 5 common **debit entries** and 5 common **credit entries** to be found in a guest account.
10. Identify the posting entries (**credit/debit**) that will be made **in the guest folio** for the following:
- a. A prepayment has been received from a guest.
 - b. A hotel has paid for concert tickets on behalf of the guest.
 - c. A guest wishes to settle the bill for his son's room
 - d. A guest has consumed drinks from the mini-bar.

2/2. FRONT OFFICE ACCOUNTING - FUNCTIONS OF FRONT OFFICE ACCOUNTING SYSTEM (FOAS)

Objectives of this lesson: *After completion of this lesson, the learner will be able to:*

- ✓ Explain the function of the FOAS - **the creation & maintenance of accounts** and related records
- ✓ Explain the function of the FOAS -of **tracking transactions** and related terms
- ✓ Explain the function of the FOAS- of **maintaining internal control** and related information
- ✓ Explain the functions of the FOAS- of **settlement of accounts** and related details.

To revise, the 4 main functions of the FOAS are:

- I. Creation & Maintenance of Accounts**
- II. Tracking transactions**
- III. Internal Control**
- IV. Settlement of accounts**

FUNCTIONS OF THE FRONT OFFICE ACCOUNTING SYSTEM

I. CREATION AND MAINTENANCE OF ACCOUNTS

Front office operations typically involve the tracking of both guest and non-guest accounts within the front office. The front office is responsible for the **accurate and complete recording** of all transactions affecting the balance of guest ledger accounts and all transactions except collection for city ledger accounts.

Guest folios are created during the reservation process or at registration.

- ❖ To prepare a folio for use, information from the guest's reservation or registration record must be transferred to the folio.
- ❖ If folios are pre-numbered for internal control purposes (as is common in non-automated and semi-automated systems), the folio number is entered onto the guest's registration card for cross-indexing.
- ❖ In non- computerized systems, the printed guest folio cards (of resident guests) are stored in **room number sequence** in a front desk **folio tray or bucket**.

In a **fully automated system**, guest information is transferred and folios are cross – indexed within the computer system.

- A preliminary electronic folio may be created when a guest makes a reservation.
- At check-in, reservation data are verified and may be combined with assigned room number and rate information to create an in-house electronic folio.
- For a walk- in guest, equivalent information is obtained and entered into the computer during the registration process.
- Since an electronic folio is created within the computer system, guest information does not require re-handling and the possibility for errors is greatly reduced.

CHARGE PRIVILEGES:

- To establish an **in-house line of credit**, the guest may be required to present an acceptable credit card or a direct billing authorization as part of the registration process.

- **Once a line of credit has been approved by the hotel, guests are able to make charge purchases.**
- These transactions are communicated electronically or by vouchers from remote POS locations to the front office for proper account posting.
- Guest who pay cash for accommodations at registration (known as **Paid –In- Advance [PIA]**) are typically *not extended charge purchase privileges*.
- So, in a fully automated front office accounting system, **PIA accounts may be set to a no-post status.**
- Point-of-sale terminals throughout the hotel will have access to this information, and revenue outlet cashiers will know instantly if a guest has not been extended charge privileges.
- In non-automated and semi-automated properties, a physical PIA list is manually distributed to all revenue centres. While this list has the same effect as the computer access list, it may not be as useful or current resulting in mistakes.
- Local business or residents may also qualify for and establish house accounts and can then enjoy charge privileges in the hotel.
- Charge purchases for house accounts, like those for guest accounts, move from the hotel's revenue centres to the front office for posting.
- Since all POS transactional vouchers are processed by the front office, a thorough audit and comparison of guest and non-guest activities is possible.

Note:

A **No Post status** can be assigned to the guest in the following situations:

1. When a guest has been identified as a **skipper**.
2. When a guest has been identified as a **scanty baggage guest**.
3. When a guest informs that his mode of settlement at check out would be in **cash**- any form of cash- foreign currency, travellers' cheque.
4. In case of a walk in guests special attention is paid to his mode of settlement; if cash, then **No Post status** is applied.
5. When a **guest pays in advance at check in** for his stay (PIA).

CREDIT MONITORING:

- The front office must monitor guest and non-guest accounts to ensure they remain within acceptable credit limits.
- **Typically, a line of credit is set for a guest who establishes acceptable credit worthiness during the reservations or registration process.**
- Guests who present an acceptable credit card at registration may be extended a line of credit equal to the **floor limit** authorized by the issuing credit card company and non-guest accounts while other approved credit arrangements are subject to limits established by the hotel called **house limits**.

Policy for establishing in-house credit:

To minimise bad debts it is important to establish clear guidelines for operation of in-house credit provisions. These guidelines should cover:

- a. Who is going to be provided with credit?
- b. What references or security is required before extending credit facilities?
- c. What are the credit limits for individual debtors and within what time span will they be allowed to pay?
- d. What processes are going to be undertaken in the event of default?

- e. Establishment of a credit sales journal, debtors' contract accounts should be maintained up-to-date and regularly reconciled by preparing and aged listing for further review and action.
- ❖ As the guest approaches his credit limit, management may need to be notified, according to hotel policy. Such accounts are called **high risk or high balance accounts**.
- ❖ Management may choose to request **additional credit authorization from the credit card** company, or request a **partial payment from the guest** to reduce the accounts balance.
- ❖ The **night auditor is primarily responsible** for identifying accounts which have reached or exceeded predetermined credit limits.
- ❖ **The front office may deny charge purchase privileges to guest with high balance accounts until the situation is resolved.**

ACCOUNT MAINTENANCE: a Folio is used to record transactions that affect a front office accounts balance. Since guests may inquire about their outstanding accounts balance or check out of the hotel with little or no advance notice, it is important that guest folios be accurate, current, and properly filed. Transaction postings conform to a **basic front office accounting formula**. The formula is:

$$\begin{array}{rcccl} \text{Previous balance} & + & \text{Debit} & - & \text{Credit} & = & \text{Net Outstanding Balance} \\ \text{PB} & + & \text{DR} & - & \text{CR} & = & \text{NOB} \end{array}$$

Please remember that debits increase the (outstanding) balance of an account, while credits decrease the (outstanding) balance.

RECORDKEEPING SYSTEMS:

The format of the information recorded on a folio may differ according to the front office recordkeeping system.

A) NON-AUTOMATED RECORDKEEPING SYSTEM: Guest folios in a non-automated system contains a series of columns to list debits and credits accumulated by a guest during occupancy. At the end of the business day, each column is totalled and the ending balance is carried forward as the opening folio balance for the following day (VTL).

i. VISITORS TABULAR LEDGER:

- ✓ Also called the VTL or tab or tab sheet, it is **more popular in smaller hotels**.
- ✓ In larger hotels, the work is too time-consuming and labour-intensive.
- ✓ It is a ledger in tabular form.
- ✓ It is a loose-leaf sheet recording daily transactions of hotel guests.
- ✓ Checks, bills or vouchers from different Points of Sale (POS) are delivered to the FO cashier, preferably as they occur, through pneumatic tubes or chutes or personally by the POS cashier. These bills are entered, as they are received, in the appropriate columns.
- ✓ These may be sorted according to departments and room numbers and entered.
- ✓ The VTL has various columns for different charges and contains details of the guest and room number, number of guests, room rate, accommodation charges, breakfast, lunch, beverages, alcohol, phone-local and trunk, VPOs (visitor paid outs), credit (advance payments, allowances, discounts), totals carried forward and brought forward for the next day.

- ✓ The common form is to have **vertical columns for room numbers** and guest names and **horizontal rows for the various charge heads** or expense heads. The vertical totals give the amount to be received from the guest. The vouchers should be posted as they come to the FO cashier and the posted vouchers should be cancelled to avoid duplication or overcharging.
- ✓ When a guest checks in or arrives, a new column is started, so **room numbers may not be in serial order**. You also might have **two columns with the same room number** if a recently vacated room is let again. The room charges are entered as the account is opened and the other charges are entered as they occur.
- ✓ When a guest checks out, he settles the bill. The cash row records any receipts from the guest- cash, credit card, cheque, and travellers' cheque, etc. The city ledger row will indicate the amounts to be collected not from the guest but another source- travel agent, tour operator, credit card company, etc.
- ✓ After the bill is settled a line should be drawn through the relevant room number column to avoid any further accidental entries in the wrong room number accounts.
- ✓ If a guest continues to stay over to the next day, the total charges for today will be carried forward to the VTL for tomorrow. This amount should be the same as the balance brought forward for the following day. In the next day's VTL the room numbers are arranged serially.
- ✓ The VTL of each day should be "balanced", i.e. add all the vertical columns and horizontal rows. These totals should be the same. This is normally done in quiet periods and should ideally be done after 12 pm noon (check in- check out time) but is usually done in the night shift.
- ✓ The guest bill prepared for presenting to the guest should contain the same charge columns as the VTL. For correct transfer of the VTL entries to the guest bill, the latter is placed alongside the VTL and the amounts transferred, totalled and presented to the guest for payment.

ii. GUEST BILL / WEEKLY BILL (GWB): In the conventional system a weekly bill is prepared from the

- ✓ VTL for 7 days and is called the 3-day bill or 7- day bill, always used for **long stay guests**.
- ✓ This is prepared if the guest stays for more than 7 days and a continuation bill may be prepared for the remaining days.
- ✓ It is presented at the end of the 7th day, payable on presentation or after 3 days of guest stay.
- ✓ It is folded and addressed to the guest by the reception and kept in the mail and key rack to deliver to the guest.

B) SEMI-AUTOMATED RECORDKEEPING SYSTEM: guest transactions **appear sequentially on a machine-posted folio**. For each transaction, data recorded includes the date, department, amount of transaction, and new balance of account. The folio's outstanding balance is the amount the guest owes the hotel, or the amount the hotel owes the guest in the event of a credit balance at settlement. The column labelled previous balance pick-up provides an **audit trail** within the posting machine framework.

ELECTRONIC BILLING MACHINES (EBMs):

Larger hotels offering a variety of services find the VTL very cumbersome and time consuming and now depend on the EBM or NCR (National Cash Register) or of late, the computers.

The electronic billing machines (EBM) handle the same data as the VTL but it stores the various charges in 'registers' (memories) and prints out the totals as required and maintains a daily summary total. Therefore, the guest bill remains much the same, only showing the totals for various charges or allowances. Details may be checked in the audit roll being processed simultaneously. This method eliminates duplication of work as is seen in the VTL; the entries have to be recorded twice - once on the VTL and once again on the guest bill.

ADVANTAGES:

1. All bill entries are entered in the memory, so the bill and ledger totals agree.
2. All entries or calculations are automatic so bills are totalled correctly.
3. Bills are printed and so are legible.
4. Charge vouchers are automatically cancelled upon entering so no mistaken duplication.
5. Control is easier as machine is "in balance", simplifying accounting and control.

Features:

- a. An EBM creates a guest bill called the guest folio.
- b. This is the bill in which all cash and credit transactions of the guest are recorded.
- c. It is opened as soon as a guest registers in the hotel and submits a completed and signed GRC- guest registration card.
- d. A copy of this is passed to the FO cashier who opens a new guest folio and clips the GRC to it. Details of the GRC - room number, guest name, rate, date of arrival, date of departure, number of guests, billing instructions, are noted on the top of the folio for ease of finding and filling in the folio bucket.
- e. The opening telephone meter reading is also noted.
- f. Once the formalities are completed, the folio is placed in room number-wise arranged pigeonholes at the cashier's counter or folio buckets.
- g. All signed guest bills from various POS are sorted by the FO cashier and entered into this bill
- h. These folios are normally in duplicate- one for the guest and one for hotel records.

The NCR used nowadays has the following visible parts:

- | | |
|--|-------------------------------------|
| 1. Amount keys | 2. Room number keys |
| 3. Control keys for printing department names or heads of revenue | |
| 4. Identification keys- room, bar, restaurant, laundry, local calls, trunk calls, etc. | |
| 5. Debit balance key | 6. Credit balance key |
| 7. Debit pick up key | 8. Credits pick up key |
| 9. Plus-minus keys | 10. Allowance key |
| 11. Credit transfer key | 12. Debit transfer key |
| 13. Paid in full key | 14. Paid key |
| 15. Total key | 16. Sub total and miscellaneous key |
| 17. Date change key | 18. Audit roll key |
| 19. Left printer | 20. Right printer |

PROCEDURE:

1. When a guest checks in, the FO cashier takes a new folio and types the details from the GRC on to it.

2. The folio is placed on the machine's platform at the correct line where room charges have to be printed, by sliding the carriage. The opening balance has to be printed which is zero unless an advance deposit has been made.
3. Take out the folio and place in the appropriate pigeonhole.

POSTING of CHARGES:

4. Collect bills, checks, and vouchers from POS cashiers.
5. Arrange according to departments- room service, laundry, etc.
6. Arrange these according to room numbers in terms of floors- 101,102, 202, 202, etc.
7. Take all bills for a particular floor and room number on that floor.
8. Compare guest signature on vouchers with that on GRC.
9. Set line-finding carriage to the line where charge is to be posted.
10. Insert voucher on the upper print with front page facing downwards.
11. Insert folio into printing table- face up.
12. Set up room number on room keys by pressing them.
13. Press particular department keys- coffee shop, etc.
14. Record amount of guest charge on amount key by pressing the correct keys.
15. Press control total key.
16. Take out folio, move control key to clear.
17. Attach voucher to folio and return to pigeonhole

C) FULLY AUTOMATED RECORDKEEPING SYSTEM: transactions may be automatically posted to an **electronic folio**. When a printed copy of the folio is needed, debits and credits may appear in single column, with payments distinguished by a minus sign, or in the traditional multiple column formats.

II. FUNCTION OF FOAS IS TRACKING TRANSACTIONS:

The **occurrence of a transaction initiates activity within the front office accounting system**. Nothing happens without a transaction. For this reason, the front office accounting system is called a **transactional accounting system**. Both the nature of the transaction and its monetary value are required for proper posting procedures.

Charge purchase transactions must be **properly documented** (typically on vouchers) for appropriate postings to be made.

These must be promptly communicated to the front office for posting in the guest folios.

The night audit verifies all transactional data to ensure that the hotel **collects** accounts receivable balances for all goods and services provided.

A transaction can be one of several types:

- a. Cash payment
- b. Charge purchase
- c. Account correction
- d. Account allowance
- e. Account transfer
- f. Cash advance

Each type of transaction has a different effect on the front office accounting system. Each transaction type may be communicated to the front office through the use of a different type of voucher, which simplifies auditing procedures.

a. Cash payment:

- Cash payments made by guests at the front desk are posted as credits to a guest or non-guest account, and decrease the balance of the account.
- The front office may use a cash voucher (draw format) to support such transactions.
- **Only cash payment transactions which take place at the front desk create entries on an account folio.**
- Cash payments to settle an account or pre-pay for accommodation also affect front office accounts balances.
- A guest who registers and pays cash in advance for accommodations may be provided a copy of his or her folio as proof of payment.
- **When cash is paid for goods or services at a location other than the front desk, no entry appears on the account folio.**

The “account” for this transaction is created, increased, settled and closed at the point of sale, thereby eliminating the need for front office documentation or posting.

b. Charge purchase:

- Charge purchases represent **deferred payment transactions**.
- In a deferred payment transaction, the buyer receives goods and services but does not pay for them at the time they are provided.
- A charge purchase transaction *increases the outstanding balance of a folio*.
- If the transaction occurs somewhere **other than the front desk**, it must be communicated to the front desk for proper folio posting.
- These transactions are supported by means of a **charge voucher** which is used for proper folio posting. **(Draw format)**
- For example when a resident guest dines in one of the restaurants in the hotel he signs a check/bill {charge voucher} indicating that he will pay the amount later. The voucher is made in duplicate and one copy is sent to the front desk folio posting.
- If the Point-of-sale terminals are linked to the front desk systems, the staff at the point of sale can query the front office system for guest verification, as well as post charges directly to the guest account.

c. Account Correction:

- An account correction resolves a posting error on a folio which is rectified on the same day the error is made, **before the close of business**.
- An account correction can either increase or decrease an account balance depending on the nature of the error.
- For instance, suppose a front desk agent mistakenly applied a lower room rate than was appropriate for a particular guest room, it would be necessary to adjust the balance of the account.
- In this instance, the account correction would increase the guest’s folio balance.
- If a higher room rate has been wrongly posted, then the account correction would decrease the account’s balance.
- A correction voucher (format) is used to document this type of transaction.

d. Account Allowance:

An account allowance **involves two types of transactions**.

1. One type of allowance is a decrease in a folio balance for such purposes as compensation **for poor services and rebates for coupon discounts**.

- The use of such an allowance voucher requires approval/ authorisation by management.
 - So, guests claiming allowance but who do not have authorization are referred to the lobby manager.
 - Ask guests eligible for an allowance for proof of identification.
 - Fill in details into **allowance voucher**.
 - The voucher is signed by the lobby manger and guest and by cashier.
 - Hand over the original copy to the guest.
 - The second copy is attached to the cashier's report and filled in the paid column.
 - The third copy is maintained in the Allowance voucher book.
2. Another type of allowance is used to ***correct a posting error detected after the close of business or the night audit.***
- The error will thus be separately entered into the accounting records of the various departments.
 - This type of allowance also needs to be authorised.
 - An account allowance is documented by the use of an **allowance voucher (format)**.

e. Account Transfer:

- When one guest offers to pay a charge for another guest, the charge must be transferred from one account to another account.
- The reduction in balance on the originating folio and the increase in balance on the destination folio will be supported by a **transfer voucher (format)**.
- An account transfer may also occur when a departing guest uses a credit card to settle his or her account.
- The guest's account balance is transferred from a guest account to a non-guest account (credit card/ company/travel agent account) using a transfer voucher.

f. Cash advance/ Visitors Paid Out (VPO):

- Cash advances differ from other transactions in that **they reflect cash flow out of the hotel**, either directly to or on behalf of a guest.
- Cash advance transactions are similar to debit transactions and increase a folio balance.
- Cash advances are supported by **cash advance vouchers (format)**.
- Cash disbursed by the hotel on behalf of the guest and charged to the guest's account as a cash advance is typically called a **paid-out**.
- Such expenses are usually taxi charges, porter charges, emergency medical expenses, ticket confirmation charges, floral delivery etc.
 - For example, a guest who orders a floral delivery, may request that the front desk agent accept the order and pay for the flowers.
 - This payment for flowers is a cash advance on the guest's behalf.
 - The front office pays for the delivery on the assumption that the guest will reimburse the hotel.
 - Hotel policy will dictate how cash advances are to be handled.
 - **Usually, prior confirmation needs to be taken from the guest before any payment is made on his behalf.**
 - **These payments are made from the cash bank** received at the beginning of the shift by the cashier.
 - Paid outs are only made in **local currency**.

Procedure for handling paid-outs:

- Confirm the name, room no. and identity of the guest
- Find out details for which the paid-out is being made
- Fill in details into the paid-out voucher. Every voucher is numbered to maintain control.
- Get voucher authorized by the lobby manager.
- The guest signs in acknowledgement.
- Make the payment in cash to the guest or service provider- taxi or florist, etc.
- Fill in the details in the paid-out column of the front office cashier's report.

Transaction	Effect on Guest Account	Voucher Used
Cash Payment -	Posted as credits ; Decrease the net outstanding balance (NOB) of guest account	Cash Voucher
Charge Purchase	Posted as debits ; Increase the NOB of guest account.	Charge Voucher
Account Correction	Resolves posting errors before closing. May increase or decrease NOB.	Correction Voucher
Account Allowance	Posted as credits for errors after closing or compensation for poor service. Decrease NOB.	Allowance Voucher
Account Transfer	For transfer from a guest account to another guest account or to city ledgers.	Transfer Voucher
Cash Advance	Posted as debits; Increase the NOB	Cash Advance Voucher or Visitors Paid Out

IIIrd FUNCTION of FOAS of INTERNAL CONTROL

Internal control in the front office involves:

- Tracking transaction documents
- Verifying accounts entries and balance
- Identifying vulnerabilities/ weaknesses in an accounting system

Auditing is the process of verifying front office accounting records for accuracy and completeness.

- Each transaction produces paperwork, which documents the nature and amount of the activity.

- For example, the transaction that occurs when a guest charges a meal to his or her account folio may be supported by the restaurant's guest check, cash register tape, and charge purchase voucher.
- The voucher is prepared and sent to the front office as notification of the transaction. A front desk agent, in turn, retrieves the guest's folio, posts the charge purchase transaction, and files the folio and voucher. Later that day, the night auditor ensures that all vouchers have been properly posted to accounts discrepancies may be easier to resolve if complete documentation is readily available to substantiate account entries.

Front office cash sheet: the front office is responsible for a variety of cash transaction, which may affect both guest and non-guest accounts .proper cash handling procedures and controls must be established, implemented, and enforced.

Most operations require front office cashiers to complete a front office cash sheet.

- The cash sheet provides separate columns to record transaction affecting guest accounts, transaction affecting non-guest accounts, and miscellaneous transactions.
- Front office policy also requires the completion of a cash voucher to document each cash transaction affecting a front office account.
- **Money/cash collected from a departing guest during settlement** is the most common entry on a front office cash sheet.
- When **guest pay on their accounts**, the cashier typically records the amount paid, the room number, and the folio number.
- If a **guest pays for his or her accommodation in advance** , the front desk agent records this payment to offset subsequent room and tax charges and to render a zero folio balance.
- The front office cash sheet also provides space for itemization of **cash disbursements or paid –outs**.
- When a guest charges a room service purchase to his account, for example, it may include the server's tip in that charge. If the front office cashier pays the server's tip, it is recorded on the front office cash sheet as a paid out transaction similar action is followed if the front office accepts and pays for collect mail, telegrams, or other items.
- Payment for cash advances / VPOs is generally collected from guest at checkout as part of folio settlement. **(See cash sheet format).**

B} Front office cashier's report

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

Cash banks/ Imprest/ Cash Float:

- A second set of front office accounting control procedure involves the use of **cashier banks**. **A bank is an amount of cash assigned to a cashier so that he can handle the various transactions that occur during a particular work shift.**
- Control procedures typically require that cashier sign for their banks and that a limited number of people have access to any one bank.
- At the end of a work shift, each front office cashier is responsible for depositing all cash, checks, and other negotiable instrument received during the work shift.
- At shift end, after removing the initial bank, the cashier usually places the cash and check he or she has received in a specially designed cash voucher or cash deposit envelope.

- The cashier itemizes the contents of the deposit envelope and the cashier's net cash receipts should be noted on the envelope as overages, shortages, or due backs.

Net cash receipts are determined by **subtracting** the paid –outs disbursed from the payments received.

The amount of cash and checks in the cashier's drawer, **minus** the amount of the initial cash bank, should equal the cashier's net cash receipts. Or

$$\text{Net Cash Receipts} = \text{cash} + \text{checks} - \text{initial bank}$$

An overage occurs when, after the initial bank is removed, the total of the cash and checks in the drawer is ***greater than the net cash receipts***. Or

$$\text{Overage} = \text{cash} + \text{checks} > \text{initial bank} + \text{net cash receipts}$$

A shortage occurs when the total of the cash and checks in the drawer is ***less than the net cash receipts***. Or

$$\text{Shortage} = \text{cash} + \text{checks} < \text{initial bank} + \text{net cash receipts}$$

Neither an overage nor a shortage is typically considered "good" by front office management when evaluating the job performance of front desk cashiers.

A due back/ due bank occurs when a cashier **pays out more than he or she receives**; in other words, there is not enough cash in the drawer to restore the initial bank. This is unusual in the front office. However, a **special kind of due back** may occur in the front office if a cashier accepts many checks and large bills during a shift, such that he cannot restore the initial bank without including the checks or large bills.

Checks and large bills are not very useful for processing transactions, and are usually deposited with other receipts.

Consequently, the deposit is greater than the cashier's net cash receipts, with the excess due back to the cashier's bank.

Front office due backs are normally replaced with small bills and coins before the cashier's next work shift, restoring the bank to its full and correct amount.

Due backs do not reflect positively or negatively on the cashier's job performance, and may occur when the cashier is in or out of balance.

Note: A Due Back is also called a **due bank** in some books.

Audit controls

A number of audit control measures are used to ensure that the front office staff properly handles cash, guest accounts, and non-guest accounts. Publicly held lodging companies are required to have their accounting records audited yearly by independent certified public accountants. In addition, companies with several lodging properties often employ internal auditors to make unannounced visits to individual hotels to audit their accounting records. In both instances, a report is completed for management and ownership review.

IVth Function of FOAS is SETTLEMENT OF ACCOUNTS

The collection of payment for outstanding account balances is referred to as account settlement.

Settlement means bringing the account balance to zero because of a cash payment in full or transfer to an approved direct billing or credit card account.

All guest accounts must be settled at the time of checkout.

- Transfers to approved deferred payment plans, such as company or travel agent accounts, move outstanding folio balances from the guest ledger to the city ledger.
- Although guest account settlement normally occurs at checkout, guest may make payments against outstanding folio balances at any time.
- Non-guest folio balances are usually **billed on the day the transaction occurred**, with settlement due in fifteen to thirty days, depending on hotel policy.
- For example, consider the case of a guaranteed reservation no-show. The account cannot be settled at checkout, since the guest never registered. Instead, the hotel bills the guest for the amount of the guarantee, hoping to collect the account balance in 15 days.

Some Important Accounting terms:

- | | |
|------------------------|---|
| 1. Advance Deposit- | Pre-payment by guest to guarantee reservation |
| 2. Correction Voucher- | Supports a correction on the Same Day as the error. |
| 3. Allowance Voucher- | Supports a correction After the close of business, i.e. after the night audit
Requires management approval |
| 4. Transfer Voucher- | Reduces one account and increases another |
| 5. Paid-out Voucher- | Accounts for cash advances made to the guest on the guest's folio |
| 6. Cash Voucher - | Supports the posting of a credit to a guest folio, e.g. when a guest pays cash deposit at check in. |
| 7. Charge Voucher- | Supports the posting of a debit to a guest folio, e.g. when a guest enjoys a cup of coffee in the coffee shop and signs the POS voucher that should now be sent to front office for posting in the guest folio. |
| 8. Cash bank - | A bank is an amount of cash assigned to a cashier so that he can handle the various cash transactions that occur during a particular work shift. |

*(In the next session - **Check Out Procedures**- we will discuss the hotels concerns and procedures at guest check out especially from the accounting point of view and discuss the various means /modes guest often use to settle their bills and the requirements of the hotel for the same.)*

Assignment 2/2:

1. What are the **four primary functions** of the FOAS?
2. Describe the **policy for establishing in-house credit** for guests.
3. Write down the **basic accounting formula**.
4. Write a short note on:
 - a. Visitors Tabular Ledger (VTL)
 - b. Guest Weekly Bill (GWB)

5. Explain the following:

- | | |
|--|---|
| a. Cash payment | b. Charge purchase |
| c. Account correction (draw format also) | d. Account allowance (draw format also) |
| e. Account transfer | f. Cash advance |

6. **Research** (refer to books) and explain the use of these **types of vouchers (with examples) and draw**

their formats:

- | | |
|-------------------------|--|
| a. Cash Receipt Voucher | b. Allowance Voucher |
| c. Transfer Voucher | d. Paid-out Voucher (or VPO - Visitors Paid Out voucher) |

6. Define '**auditing**'.

7. What is a **front office cash sheet**?

8. Draw a **format** of the Front Office Cash Sheet. Explain the **role of the cash sheet as a tool of internal control**.

9. What is a cash bank? Who uses it? How is it processed?

10. Explain:

- | | | |
|---|-------------|-------------|
| a. Net Cash receipt (write down in formula form also) | | |
| b. Overage | c. Shortage | d. Due back |

11. From the following information, calculate the **net out standing balance** of Mr. Jones, using the appropriate formula:

Restaurant charges	\$ 14.25	Room rate & taxes	\$ 60.00
Long distance call	\$ 06.38	Miscellaneous credit	\$ 18.38
Cash payment from guest	\$ 62.25		

12. What is a **Cashier's Report**? Draw the format.
