

Chapter – 6 Methods of Payment

6.1 Settlement of Bills:-

The mode of payment refers to the various methods of payment by which the guest can settle or pay his/her bills in the hotel. Whenever guest checks in a hotel, he/she has to make clear about the modes of payment at the time of registration so that, it will greatly reduce the problem while settling the bills.

6.2 Cash Settlement- Indian & Foreign currency

1. Currency Notes
 - a. *Local currency*
 - b. *Foreign currency*
2. Travelers cheque
3. Personal cheque
4. Demand draft
5. Debit card

Credit Settlement

1. Credit Card
2. Travel Agent Voucher
3. Direct Billing
4. Bill to Company

Procedure for accepting local currency:

1. Count cash in guest's presence
2. Confirm amount with guest before putting it into the cash drawer
3. Count change, if any, and return to guest (Count twice)
4. Issue a receipt to the guest
5. Keep duplicate copy of printed folio for balancing of cash float at end of shift

Procedure for accepting foreign currency:

- Request guest passport and determine the credentials such as name and photo identification place of issue and date of expiry of the passport.
- Confirm that the guest is a resident of the hotel by asking his room no. If the guest is a non-resident the permission of the lobby manager is obtained who will extend this facility to VIP's and regular guests.
- Receive the cash or traveler's cheque in foreign currency.
- Calculate the total amount of local currency to be paid by multiplying the foreign currency by the exchange rate displayed.

- Fill in details of the foreign currency encashment certificate.
- Request the guest to sign the foreign currency encashment certificate and compare the signature with the passport.
- Request the guest to sign the traveler's cheque if it is an instrument of exchange.
- Give the total amount of local currency with the encashment certificate to the guest
- Second copy of the certificate is attached to the notes or traveler's cheques received
- Third copy remains in the encashment certificate book.
- Fill in details in the record of foreign currency transactions.
- Fill in details of the foreign currency transaction in the cashier's report.

6.3 Travelers' cheque:-

A traveler's is a preprinted, fixed-amount cheque designed to allow the person signing it to make an unconditional payment to someone else as a result of having paid the issuer for that privilege. Traveler's cheques are most often used by those traveling because they are widely accepted as payment in many parts of the world, yet can be replaced if lost or stolen by the issuing financial institution. A customer should be able to purchase traveler's cheques from most major financial institutions. At the time of purchase, the customer will be required to sign each individual traveler's cheque. The signature is one of the security features of traveler's cheques as the user will be required to countersign the check at the point of redemption. If the signatures do not match, the cheque will not be accepted.

At the time of purchase, the customer should be provided with a listing of the serial numbers of the cheques that were purchased. If any cheques are reported lost or stolen, most banks will require the customer to provide the serial numbers of the missing cheques. This allows the bank to verify the validity of the claim and the checks. Even though traveler's cheques can be replaced if lost or stolen, it is recommended that the user treat them as carefully as they would cash. The user should keep track of the cheques that are used as they are redeemed. The customer should also keep the traveler's cheques purchase agreement and listing of the serial numbers separately from the cheques themselves.

Traveler's cheque Procedure

In most cases to accept a Traveler's cheque the customer must produce a passport. This will show the identity and signature of the customer. An authorized Traveler's' cheque in local

currency is treated as cash; if it is in a foreign currency then an exchange transaction must occur. Change is only given in local currency. An unauthorized Traveler's cheque is one which has been sign only once at issue, in otherwise the space for countersignature is empty.

- Issue the bill.
- Accept the unauthorized traveller's cheque.
- Accept the identification either a passport or an official ID card.
- Ask the customer to countersign the cheque.
- Check the signature and photograph matches that on the identification document!
- It is advisable to write down the passport or ID number on the back of the traveller's cheque.
- Check the amount of the traveller's cheque and treat it as cash
- Give the customer change or accept additional cash to meet the bill.
- Place the check in the till drawer.

Personal cheque:-

Out of all the credit instruments, cheques have the highest percentage of risk involved. Most hotels specify that cheques are not accepted but there may be situations when cheques have got accepted.

Demand Draft:-

A demand draft is a negotiable instrument similar to a bill of exchange. A bank issues a demand draft to a client (drawer), directing another bank (drawee) or one of its own branches to pay a certain sum to the specified party (payee).

Debit card:-

Debit cards are embossed plastic cards with a magnetic strip on the reverse side that authorize direct transfer of funds from a customer's bank account to the commercial organization's bank account for purchase of goods and services. These are similar to credit cards in that they guarantee credit worthiness, against which the hotel charges the bill; however, the payment is deducted directly and immediately from the guest's personal account and transferred to the hotel's account rather than being billed to the guest on a monthly basis. Debit cards continue to gain in popularity as the use of credit cards becomes more costly to the guest. Debit cards are

processed similarly to credit cards. To process a debit card payment, the following procedure is used:

1. Insert the debit card into the validation machine.
2. Have the guest enter his or her personal identification number.
3. Process the debit-card voucher as a cash payment on the guest folio.

6.4 Foreign currency exchange procedure and Encashment certificate

6.5 Credit Settlement-

Credit card:-

A credit card is a payment card issued to users as a system of payment. It allows the cardholder to pay for goods and services based on the holder's promise to pay for them. The issuer of the card creates a revolving account and grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user.

Credit Card Procedure

- Present the charge record form to the guest and receive his signature on it.
- Check the following to establish the validity of the card.
- Whether the credit card is accepted by the establishment
- Expiry date of Card. The card should be within expiry date.
- Compare the name and number with the cancellation bulletin circulate periodically and ascertain if the credit card is black listed.
- Any alterations on the card.
- Compare card holder's signature on the credit card with that on the charge record form.
- Return card, top copy of voucher or bill and the customer slip of credit card to guest.

Travel Agent Voucher:-

This is an extension of the city ledger system. The guest should handover the original voucher at the time of registration. This voucher will keep along with the guest folio or bill. The billing

instructions are mentioned in the voucher and accordingly the data is entered in the guest bill. The hotel sends the original vouchers along with the guest bill and the departmental voucher for the payment to the travel agent after the guest departure. The travel agent settles the bill after subtracting his commission. On receiving the payment the hotel issues a receipt to travel agent.

Bill to Company letter:-

Some guests extend credit to guests by agreeing to bill the guest or guest's company for charges. Direct billing arrangements are normally established through correspondence between the guest or company and front office. A potential guest or a sponsoring company representative may be asked to complete the hotels application for credit. Front office manager reviews it and is responsible for approving a guest credit application. A list of direct billing account is maintained at the front desk. At checkout the guest signs on the folio. Account transferred to appropriate city ledger account. Credit control department is responsible for payment collection. – This method is acceptable only when billing has been arranged and approved by the hotel's credit department. – The guest has to sign the folio to verify that it is correct and he/ she accepts the responsibility for all the charges contained on the folio (should the direct billing account not pay the bill).

6.6 Other methods of payment- NEFT/RTGS:-

National Electronic Fund Transfer (NEFT) is a nationwide payment system facilitating one-to-one funds transfer. Under this scheme, individuals can electronically transfer funds from any bank branch to any individual having an account with any other bank branch in the country participating in the scheme. It is the simplest and most liked form of money transfer from one bank to another bank.

Real Time Gross Settlement (RTGS) is an electronic form of funds transfer where the transmission takes place on a real time basis. In India, transfer of funds with RTGS is done for high value transactions, the minimum amount being Rs. 2 lakh. The beneficiary account receives the funds transferred, on a real time basis.

Charge voucher:-

The voucher is an internal document describing and authorizing the payment of a liability to a supplier. The identification number of the supplier. The amount to be paid. The date on which payment should be made. The accounts to be charged to record the liability.