

## **Second Year BSc HS (2019 Pattern) Third Semester**

### **HS 303 Accommodations Operations I**

#### **Section II Front Office - Chapter 3 Reports**

##### **Objectives**

1. To understand the basics of accounting.
2. To understand the various guest accounts maintained by Front office.
3. To understand various vouchers issued by Front office
4. To understand account settling procedures

##### **A FRONT OFFICE ACCOUNTING SYSTEM**

Creates and maintains an accurate accounting record for each guest or non-guest account.

Front office accounting system tracks financial transactions through the guest cycle.

Front office accounting system ensures internal control over cash and non-cash transactions.

Front office accounting system records settlement for all goods and services provided.

##### **ACCOUNTS**

An account is a form on which financial data are accumulated and summarized. It is a record of charges and payments. Adding a charge or payment to the account is called posting to the account. A charge that is posted to a customer is called a debit, and a payment is called a credit. When a debit is posted, the amount of the debit is added to the account. When a credit is posted, the amount is subtracted. The additions and subtractions in an account are calculated and the resulting amount is the account balance.

**THERE ARE TWO TYPES OF ACCOUNTS MAINTAINED BY FRONT OFFICE DEPARTMENT WITH FRONT OFFICE ACCOUNTING SYSTEM:**

##### **Guest Account**

A guest account in front office accounting system is to record of financial transaction between a guest and the hotel. It is created when the guests guarantee their reservations or during registration. The front office usually seeks payment for charges during the departure and settlement stage of the guest cycle.

##### **Non-Guest Account**

A hotel may extend in-house charge privileges to local businesses or agencies as a means of promotion or to groups sponsoring meetings at the hotels. The front office creates non-guest accounts to track these transactions which may also be called house accounts or city accounts.

## **FOLIOS**

Front office transactions are charted on account statements called folios. A folio is a statement of all transactions (debits and credits) affecting the balance of a single account. There are basically five types of folios used in front office accounting and maintained with front office accounting system:

1. Guest Folios – Accounts assigned to individual guests or guestrooms.
2. Master Folios – Accounts assigned to more than one guest or guestroom, usually applicable for group accounts.
3. Non-Guest or Semi-Permanent Folios – Accounts assigned to non-guest business or agencies with hotel charge purchase privileges.
4. Employee Folios – Accounts assigned to employees with charge purchase privileges.
5. Split Folios – Accounts assigned to a guest on his/her request to split his/her charges and payments between two personal folios – one to record expenses to be paid by the sponsoring business company and the other to record personal expenses to be paid by the guest. In this case two folios are created for the same guest.

## **VOUCHERS**

A voucher details a transaction to be posted to a front office account. There are several types of vouchers used in front office accounting system:

1. Cash Voucher – A voucher used to support a cash payment transaction at the front desk.
2. Charge Voucher – A voucher used to support a charge purchase transaction that takes place somewhere other than the front office.
3. Allowance Voucher – A voucher used to support an account allowance.
4. Cash Advance Voucher – A voucher used to support cash flow out of the hotel, either directly to or on behalf of the guest.
5. Correction Voucher – A voucher used to support the correction of a posting error which is rectified before the close of business on the day the error was made.
6. Credit Card Voucher – A form designated by the credit card company to be used for imprinting the credit card and recording the amount charged.
7. Paid-Out Voucher – A voucher used to support the cash disbursed by the hotel on behalf of a guest.
8. Transfer Voucher – A voucher used to support a reduction in balance on one folio and an equal increase in balance on another. Transfer vouchers are used for transfers between guest accounts and for transfers from guest accounts to non-guest accounts when they are settled by credit cards.
9. Travel Agency Voucher – In travel agent guaranteed reservation, the travel agent forwards a voucher to the hotel as proof of payment and guarantees that the prepaid amount will be sent to the hotel when the voucher is returned to the travel agency for payment.

## **POINTS OF SALE (POS)**

The term 'point of sale' denotes the location at which goods or services are purchased. Any hotel department that collects revenue for its goods and services is considered a point of sale. The front office accounting system must ensure that all charge purchases at these points of sale are posted to the proper guest or non-guest account. A computerized POS system allows terminals at the points of sale to communicate directly with a front office computer system, and helps front office staff to create a well-documented folio statement with a minimum number of errors. Some basic information to be provided by

the POS includes the amount of the charge, name of the POS outlet, room number, name of the guest and a brief description of the charge.

## **LEDGERS**

A ledger is a summary grouping of accounts. A front office ledger is a collection of front office account folios. There are two types of ledgers in front office accounting system:

Guest Ledger – It refers to the set of accounts related to the registered hotel guests. It is also known as Transient ledger, Front Office ledger or Rooms ledger.

City Ledger – Also called the non-guest ledger, it is the collection of non-guest accounts. It can contain credit card payment accounts, direct billing accounts, and accounts of past guests due for collection by the hotel.

## **ACCOUNTING SYSTEMS**

Non-Automated: Guest folios in a manual system contain a series of columns for listing debit and credit entries accumulated during occupancy. At the end of the business day, each column is totaled and the closing balance is carried forward as the opening balance of the next day.

Semi-Automated – In this system, transactions are printed to a machine-posted folio.

Fully Automated – Computerized systems in which POS transactions are automatically updated in the front office accounts.

## **CREDIT MONITORING**

The front office accounting system must monitor guest and non-guest accounts to ensure that they remain within acceptable credit limits.

Guests who present an acceptable credit card at registration may be extended credit facility equal to the floor limit authorized by the issuing credit card company.

Guest and non-guest accounts with other approved credit arrangements are subject to limitations established by the front office called house limit.

The night auditor is mainly responsible for identifying accounts which have reached or exceeded the fixed credit limits. Such accounts are called high risk or high balance accounts. The front office may deny additional charge purchase privileges to such accounts.

This situation may be resolved by requesting the guest to make a partial payment or requesting the credit card company to authorize additional credit.

## **FRONT OFFICE ACCOUNTING SYSTEM FORMULA**

Transaction postings in the front office conform to a basic accounting formula, which Previous Balance + Debits – Credits = Net Outstanding Balances

## **INTERNAL CONTROL IN THE FRONT OFFICE**

Internal control in the front office involves:

Tracking transaction documentation

Verifying account entries and balances

Identifying vulnerabilities in the accounting system

Auditing is a process of verifying front office accounting records for accuracy. Certain records are maintained to have a control in front office cash:

### **FRONT OFFICE CASH SHEET –**

The front office is responsible for a variety of cash transactions affecting both guest and non-guest accounts. The front office cashiers have to complete a front office cash sheet that lists each receipt or disbursement of cash.

**CASH BANK** – A cash bank is the amount of cash assigned to a cashier so that he/she can handle the various transactions that occur during a particular work shift. Cashiers should sign for their bank at the beginning of their shift and only the person who signs should have access to it.

**NET CASH RECEIPTS** = Amount of Cash, Checks, Vouchers etc in the Cashier's

Drawer – [Amount of Initial Cash Bank + Paid Outs]

**OVERAGES** – When the total of cash and checks in a cash drawer is greater than the initial cash bank + net cash receipts

**SHORTAGES** – When the total of cash and checks in a cash drawer is less than the initial cash bank + net cash receipts.

**DUE BACK** – A due back occurs when a cashier pays out more than he/she receives i.e. there is not enough cash in the cash drawer to restore the initial cash bank. This may happen when a cashier accepts many checks, or encashes large amount of foreign exchange offered by a guest during shifts. These checks and bills are deposited with other receipts and consequently the front office deposit may be greater than the cashier's net cash receipts, with the excess due back to the front office cashier's bank.

**AUDIT CONTROL** – Internal auditors should make unannounced visits to the front office cashier's desk for auditing accounting records as well as conducting spot checks of the cash bank of the cashier on duty. A report should be completed for management and ownership review.

### **SETTLEMENT OF ACCOUNTS**

The collection of payment for outstanding account balances is called account settlement which involves bringing the account balance to zero. An account can be brought to zero balance as a result of a cash payment in full or a transfer to an approved direct billing or credit card account. All guest accounts must be settled at the time of check out.