

## CHECKOUT AND SETTLEMENT

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

- ✓ *Explain the **functions of check out and settlement.***
- ✓ *Explain the **importance of the check out process** – for the hotel and the guest*
- ✓ *Explain the **various modes used by guests to settle their bills and the procedures the hotel follows in handling them.***
- ✓ *Explain the various **methods of check out** that can be employed by hotels- **express check out, self check out.***
- ✓ *Explain the different **means of following up for billing and collection.***

The occupancy stage of the guest cycle is followed by checkout and account settlement. At the time of departure, the guest receives an accurate statement of account and is requested to pay any outstanding balance and return the guestroom key before leaving the hotel departure activities involve account settlement and the updating of front office records.

Accounts settlement includes both guest account and non-guest account reconciliation and receipt of payment. **Guest accounts are settled at checkout in the presence of the guest.**

Guest account payments which are deferred to a credit card or an approved billing party are transferred to the back office accounting system to the accounting division for collection.

### **Functions of checkout and settlement**

The checkout and settlement process is designed to three important functions:

1. Settle guest account balances
2. Update room status information
3. Create guest history records

#### **1. Settle guest account balances:**

- ❖ Guest account settlement is most effectively achieved while the guest is in the hotel.
- ❖ A guest can settle an account by paying cash, charging the balance to a credit card, deferring payment to a direct billing, or using some combination of these payment methods.
- ❖ In most hotels, front office staff is required to ask the guest to specify an eventual method of settlement **at registration.**
- ❖ Thus, credit card or direct billing information should be known in advance of checkout.
- ❖ This advance notification allows the front office to obtain verification and authorization of a credit card account or confirmation by a direct billing party.
- ❖ These **verification activities tend to reduce the guest's actual checkout time** while enhancing the hotel's ability to **collect outstanding account balances.**

#### **2. Update room status information:**

Accurate room status information is essential to effective front office operations. Upon settlement of the guest's account; the front office cashier typically notifies the front desk agent that the guest has checked out. The front desk agent then changes the guest's room status to "on-change" and notifies the housekeeping department of the departure. A housekeeper cleans and readies the room for inspection and resale. In order to maximize room sales, the front office must **maintain**

**current occupancy** and housekeeping status on all rooms, and communicate status information in an accurate and quick way.

### **3. Guest History Records:**

- ❖ A **guest history file** is a collection of personal and financial data about guest who have stayed in the hotel.
- ❖ An individual record within the file normally contains personal and transactional information relevant to the guest's stay.
- ❖ Having this information enables the hotel to better understand its clientele and determine guest trends, and provides a powerful base for strategic marketing.
- ❖ Guest history files may be constructed from expired registration cards or created through sophisticated computer based systems which automatically direct checkouts into a guest history database file. Proper analysis of guest history data may provide the hotel with a valuable competitive edge in the hospitality marketplace.

### **Departure procedures**

During the checkout and settlement process, a **well-prepared, well-organized front office staff** can provide a ***smooth, efficient and pleasant experience*** for all concerned.

The settlement process depends on an effective front office accounting system for:

- ✓ **maintaining accurate folios,**
- ✓ **verifying and authorizing a method of settlement, and**
- ✓ **resolving charge discrepancies through source documentation (checking vouchers) and**
- ✓ **audit review ( night audit).**

### **CONCERNS OF THE FOAS AT CHECK OUT:**

#### **1. Updated and accurate accounts are important from:**

##### **a. Guest's perspective:**

- Require accurate and updated information at any time during the stay and at checkout
- Require quick, speedy service- less waiting time at checkout
- To avoid disputes, and discrepancies and unpleasantness, especially at point of departure

##### **b. Hotel's perspective:**

- To give accurate, updated information during guest stay and at checkout
- To avoid misunderstanding, disputes and losses to the hotel
- To ensure speedy guest checkout, less waiting time
- To reassure guests of efficiency and accuracy in accounts
- To minimise hotel losses through incomplete settlement or inconvenience of late charges to be followed up.

#### **2. Prioritise and organise work:**

- a. **Check all expected departures** of the day. If there are too many, arrange for extra assistance to cope with them.
- b. **Prepare documentation in advance**, as far as possible- this also helps identify any accounting errors and their rectification before the guest can see them..
- c. **Know names and room numbers** – adding the personal touch.

- d. **Deal with one account at a time.**
- e. If guest are queuing, **get help** from seniors or bell desk, etc. Guests can be requested to fill questionnaire or feedback forms while they wait.

### 3. Security concerns:

The FOAS must ensure:

- Secure storage of all accounting information
- Secure (password protected) PMS accounts applications
- Avoid inaccurate transactions – by unauthorised staff who make mistakes
- Guest information (personal and accounting) is confidential so ensure systems to keep it confidential. In the PMS, always sign out when leaving the desk, e.g. using F8 on Fidelio.

Other important information:

- ❖ At checkout, the front office gives the guest a final copy of his account folio.
- ❖ At this point in the guest cycle the guest's account balance should be brought to zero.
- ❖ **Thus guest account settlement is typically referred to a "zeroing out" the account.**
- ❖ In order to zero out a folio account **its balance must be settled in full.**
- ❖ Guest accounts which are not zeroed at the departure stage are **transferred to the city ledger** for billing and collection.

### THE CHECKOUT PROCEDURE:

**Basic procedure** at checkout includes:

1. Greet guest with a smile and always try to use their names.
2. Confirm guest details- name and room number- against the guest's account. Inquire about the guest's stay at the hotel.
3. Check **departure date**. If the guest is leaving earlier than expected, other departments will need to be informed.
4. Check whether **late checkout charges** should be applied. If the guest is leaving after 12 noon check out time and is not a frequent guest, add the relevant late checkout charges to the account.
5. Check for **late charges**-you can even inquire from guest. Examine current entries on a guest's folio and check for any mini-bar, breakfast or telephone charges.
6. Give the guest the **guest folio and/or master folio** for checking. (When the guest checked in, the receptionist will have determined whether one or two folios are to be produced.) All queries must be handled without fuss and in a pleasant helpful manner.
7. Complete guest settlement of accounts (using appropriate method).
8. Provide front office services upon guest departure such as receiving the guest's key and checking if they have used a safe deposit box which now needs to be emptied or if they have returned any housekeeping items such as hairdryer, hand iron, charger ,etc.
9. Offer the assistance of the bell staff to collect the luggage.
10. Inquire if the guest would like to make a future reservation, or an onward reservation in another hotel within the chain.
11. **Update** front office records. The most important records to update are the room status list and the residents list in order that other departments can accurately know the room and guest status.

Accounts to be settled at checkout can be divided into two main categories – **own accounts or individual accounts and company accounts**, based on who is paying the bill.

1. **OWN/INDIVIDUAL ACCOUNTS** - are those accounts which will be settled by the guest- with currency- local or foreign, travellers' cheques, credit cards or debit cards.
2. **COMPANY ACCOUNTS** – are those that are not settled by the guest but are settled by a company or a travel agent. After the guest has checked and signed the bill as being correct, these accounts are transferred to the accounts department as **non-guest accounts in the city ledger** and the accounts department then sends the bill and invoice to the company or travel agent for payment.

#### **MODES OF PAYMENT AT CHECKOUT AND THEIR HANDLING:**

**Preferred modes of settlement by the guest at check out normally include:**

1. **Cash payment- in local and foreign currency, travellers' cheque, debit cards**
2. **Credit Card**
3. **Direct Billing or Bill To Company/Account (DB/ BTC)**
4. **Travel Agent Voucher (TAV)**
5. **Personal Cheques**

#### **1. CASH PAYMENT IN FULL:** Related information:

- ❖ A cash payment in full at checkout will bring an account balance to zero. The folio is zeroed out and marked paid.
- ❖ If there is a **credit balance** in the guest folio at check out, the hotel will pay back the amount due to the guest to bring the balance to zero.
- ❖ If there is a **debit balance** or **outstanding balance**, the hotel will collect the amount from the guest.
- ❖ If a guest indicates during registration that he will be paying his bill with cash, front office should immediately be on the alert.
- ❖ Such a guest could charge everything during his stay at the hotel and then exit without paying. For this reason, most hotels require a **cash advance** from guests who choose this method of payment (**PIA- Paid in Advance**), since the guest has not established any credit rating with the hotel.
- ❖ **Such guests are usually not allowed charge privileges at various POS (set at NO POST status).**
- ❖ PIA lists are circulated to the various POS in manual systems while in computerized properties the guest name and room number will be entered to block charges at POS.
- ❖ **NOTE: Currently, cash payments above Rs. 25,000/- need you to request for a copy or number of the Income Tax PAN card of the guest.**

Cash settlements by departing guests can include payments:

- a. In local currency
- b. In foreign currency
- c. In travellers cheque

#### **PROCEDURES FOR HANDLING CASH PAYMENTS:**

##### **a. In Local Currency:**

1. The cashier accepts and counts cash in front of the guest.
2. Take time to ensure accuracy.
3. Retain the amount tendered/given, **outside the cash drawer** until the transaction is completed.
4. Maintain an orderly cash drawer, with **bills separated by denomination.**

5. **Count the change out loud** when returning to the guest.
6. Any change and a receipt or cash voucher are given to the guest.
7. Perform **only one transaction at a time**. Politely ask the guest to wait till you complete the first transaction.

#### **b. In Foreign Currency:**

##### **General information:**

- ❖ According to provisions made in **FEMA (Foreign Exchange Management Act)** each hotel has to get an authorisation/licence from the RBI for dealing in foreign currency and in the hotel the post of **front office cashier is authorised** to deal in foreign exchange on behalf of the hotel management.
- ❖ Usually, foreign currency is acceptable from **in-house guests only**.
- ❖ When a **non-resident guest** requests to make payments in foreign currency, the cashier must **obtain authorisation** from the management.
- ❖ If the hotel has the **licence to sell foreign currency**, then the cashier can **return the balance** amount in the **foreign currency**.
- ❖ **Daily** foreign currency **exchange rates are clearly displayed at the FO Cashier** for information of the guests.

#### **PROCEDURE FOR HANDLING A CHECK OUT ON CASH ---- FOREIGN CURRENCY:**

When a guest wants to exchange foreign currency or checks out on payment of foreign currency, **the following needs to be done:**

1. **Confirm room number, request the guest for passport and determine credentials.**
2. In the case of non-resident guests, contact Lobby Manager for authorisation.
3. Check the **type of currency** to be exchanged and determine **its exchange rate as per government banking regulations** (usually banknotes are accepted, not coins).
4. Calculate bill or folio charges in foreign currency and receive the currency.
5. Calculate amount to be returned to the guest in **local currency**. Count and return to guest.
6. Fill in all the details in the **Foreign Currency Encashment Certificate (draw Format)** giving the amounts received, the exchange rate and the amount of local currency returned, details of the guest, passport number, nationality, etc are also entered here.
7. Request **guest to sign on the certificate** and **compare the signature with the passport**.
8. Give **original copy** of the Encashment Certificate **to the guest**.

##### **Further Processing of foreign currency received:**

9. Attach the second copy of encashment certificate to the cash/ notes (or Travellers cheques, if applicable).
10. Leave the third copy in the book as record.
11. Fill in the details in the cashier report/ cash sheet.
12. Also fill details in the **Foreign Currency Control Sheet. (Draw Format)**

Note: The cashier may request the guest to sign for each currency transaction as proof of acceptance.

#### **c. In Travellers Cheques:**

**A travellers' cheque or TC is an internationally accepted cheque for a certain sum of money in a specific currency that can be exchanged elsewhere for local currency.**

### General information:

- ❖ Travellers' cheques are issued by various banks in various denominations- Rs.100, Rs. 500, etc. and are as good as cash.
- ❖ These are very safe and avoid the risk of carrying cash in large amounts.
- ❖ The individual deposits say, Rs. 10,000/-, in a bank which issues travellers cheques, and wants to buy travellers cheques in Rs. 500/- denominations. He fills up a form and is issued 20 non-transferable travellers cheques of Rs. 500/- each.
- ❖ A certain amount of **commission/ handling charges** may have to be paid by him to the bank.
- ❖ Only the **individual can encash** these- no one else can do it on his behalf.
- ❖ The cheques may be time bound or can be honoured up to a specified **expiry date**, maybe 6 months **or they may not have any expiry date**, as is common today.
- ❖ The individual or buyer has to **sign at one place** on the travellers cheque in the **presence of the issuing authority**- bank manager, etc.
- ❖ He is also issued counterfoils or record slips with details of number of the cheque, date issued, the amount of the cheque and the signature of the bank authority, etc. **( Draw Format of travellers cheque)**
- ❖ In case of loss or theft of the cheque, the individual should file an FIR and send a copy of it to the concerned bank along with the counterfoil. The bank will pay back the money if the TC has not been encashed.
- ❖ Also, the **receipt** issued when the traveller's cheque was purchased from the bank contains **the serial number of travellers cheques issued** to the customer. This should be kept safely and may be required at the time of filing a complaint of theft or loss.

### PROCEDURE FOR ACCEPTING TRAVELLERS' CHEQUES as mode of payment (treated as cash payment):

**At the time of encashment**, say, at the hotel **at check in and check out**, the front office cashier should follow this **procedure**:

1. Ensure that the travellers' cheque is not mutilated, damaged or changed in any way.
2. The identity of the guest should be confirmed against a photo ID-driving **licence, passport**, etc. and a counter **signature** should be taken **on the travellers' cheque** and **matched** against the original one already on the cheque, in order to ensure that it is being encashed by the same person in whose name the cheque is made out.
3. In case the travellers' cheque is already signed, request the guest to **sign again** at the reverse of the cheque and compare all the signatures.
4. In case of **foreign currency travellers' cheques**, check the **exchange rate** before converting into local currency and return any balance in **local currency**.
5. An **encashment certificate**, as used while converting foreign currency, should be signed by the guest and he should be given a copy of it.

### 2. CREDIT CARDS:

**A credit card is a payment card that allows the owner to obtain goods and services and even cash, on credit terms, without paying cash.**

### Related information:

A credit card, or ‘**plastic money**’ as it is often called, is a favoured mode of payment used the world over. It is a plastic card, the size of a visiting card. It is issued by banks, financial institutions and non-banking financial corporations.

- ❖ The first plastic credit card came into existence in **1930**.
- ❖ The use of this card is convenient for all parties- the issuer, the establishment accepting the card and the user or card holder:
  - The **issuing institution** gets **commission and fees** for administrative charges from shops, hotels, and from the card holder.
  - The **establishment** honouring the card/hotel is **guaranteed payment from the bank** and has the benefit of “**impulsive shopping**” which may not occur with the guest carrying limited amounts of cash.
  - The **card holder** does **not have to carry cash** which is prone to being lost or stolen and large amounts are difficult to carry during travel and other situations. Also, he gets the benefit of payment **in installments** which increases his “**purchasing power**”, in a way.
- ❖ All credit cards are issued for a **particular period** and have an **expiry date**.
- ❖ The card **has two faces**, the **front** contains the **name of the issuing institution/bank, the credit card number (a 15 to 16 digit number), the month of issue and expiry, the period since the holder is a member, and the name of the card holder**.
- ❖ The **reverse side** contains a magnetic strip that is read by the credit card machine or reader (**EDC- Electronic Data Capture machine or EFTPOS- Electronic Fund Transfer at POS**), the card number the CVV number and the signature of the card holder.
- ❖ All credit cards have a **fixed limit** up to which **credit payment can be extended at one time** called the **Floor Limit** which is set by the **credit card company** for the hotel.
- ❖ Upon presenting the card at a hotel, the cashier must first get **authorisation** from the credit card company, to confirm the **validity** of the card and the **credit limit** for the transaction in hand.
- ❖ Today, this authorisation can be obtained on-line (**OLA- on-line authorisation**). In case the amount of the bill is in excess of the authorised limit/floor limit, additional/ incremental authorisation must be obtained from the credit card company or the amount in excess of the authorised amount can be settled by cash.
- ❖ Transactions of the card holder during a month are totalled and presented by the credit card company to the card holder for settlement on a monthly basis. Today this may be done on a daily basis due to faster technology.
- ❖ Cardholder has the option of paying the full outstanding amount during a defined period or to pay a percentage of the outstanding amount, thus agreeing to pay the balance amount later at a higher rate of interest than usual.

Settlement of guest folios on **credit cards should be confirmed at check in**. The guest should be requested for his credit card details so that there is no confusion and problems of acceptance at the point of check out. Omission of SOPs at this point would result in angry guests and/or losses for the hotel.

### PROCEDURE FOR ACCEPTING SETTLEMENT AT CHECK OUT ON CREDIT CARDS:

#### At check in:

1. Check that the hotel **accepts the credit card** of the **issuing company**, e.g. ICICI, American Express, etc.
2. Check that the **name and signature** on the credit card are the same as those on the **registration card**.

3. The card should not have crossed its **expiry date**.
4. Swipe the card on the **EDC** and **block an amount for the stay on the card- the credit card company will issue an authorisation code that is noted on the GRC**.
5. Take an **imprint** of the credit card on a **credit card voucher**. (**Draw Format**)
6. The GRC and imprinted voucher **with the guest's signature** will be placed in the guest folio with the cashier till check out.

**At check out:**

7. Upon check out, at settlement, the cashier **enters the bill total and date on the appropriate credit card company's credit card voucher**.
8. The guest **signs** the completed, detailed **imprinted voucher** and hands it back to the cashier who will check to ensure the **signature on the voucher matches that on the credit card**.
9. The earlier voucher containing the authorised blocked amount will be **destroyed**.
10. The cashier completes the guest account and the **top copy of the bill and the cardholder's copy** of the credit card voucher are given to the guest.

**Note: 1. Should the bill be close to or higher than the Credit Card Company's floor limit further authorisation of the credit card company should have been obtained otherwise the credit card company may not make any payment at all.**

**2. When foreign guests pay by credit card, credit card company payment will be in local currency.**

**PRECAUTIONS FOR HANDLING CREDIT CARDS:**

**1. Expiration date:** if the card has expired the front office agent should point this out to the guest so that another method of payment can be provided. Credit card companies will not honour transactions settled after the expiry date.

**2. On-line Authorisation /verification (OLA):** Now most hotels use on-line computer services for credit card validation over telephone lines. The required credit card and transaction data may be entered on a touch-tone keypad or automatically input through a magnetic strip reader. The credit card verification service consults its credit records and generates an **authorisation code or a denial code for the transaction**.

This verification is done and authorisation given or not given through the EDC or EFTPOS; **EDC is Electronic Data Capture (machine) or Electronic Data Console and EFTPOS is Electronic Funds Transfer at POS (machine)**.

**3. Cancellation Bulletins:** where on-line authorisation (OLA) is not possible, the front office agent can check the validity of the card by consulting credit card cancellation bulletins issued periodically by the companies. Expired cancellation bulletins should be retained and filed in case a dispute arises later between the credit card company and the hotel.

**4. Invalid Card:** if a credit card proves to be invalid after being double-checked, **an alternate form of payment is requested from the guest**. If none is available, front office agents alert the Front Office Manager who handles the situation. **In case a stolen card is discovered, security personnel might also be asked to be available nearby though the hotel is not required to tackle such a guest directly**.



**5. Imprinting the voucher:** if a credit card is approved, an imprint of the card is made onto a **credit card voucher**. Earlier, before the OLA came into being, an imprinter was used to print the embossed information- name of card holder, validity period, and card number. Nowadays, the card is swiped and a voucher is printed by the EDC at the same time, containing all card details.

Credit card vouchers are supplied free of cost by the various cc company and the cashier must ensure that the cc voucher of the particular cc company is used when imprinting the card. Sometimes the front office agent may be required to circle the card's expiry date and sign the validation number on the imprinted voucher as proof that they have followed procedures.

**Normally the guest was not asked to sign the voucher until account settlement. However, these days, the pre-authorized blocked amount is printed on the voucher and signed by the guest at check in and held till check out. It is destroyed after the guest signs on the new voucher containing the actual balance of his folio at check out.**

**6. Floor limits: this is the maximum amount in credit card charges the hotel is permitted to accept on behalf of the guest at one time ( for one stay) without special authorisation from the company. It is specified by the credit card company for the hotel/organisation.**

If the amount to be charged approaches or exceeds the hotel's floor limit, the front office should contact the credit card company to request approval for any additional transaction. In some cases, the penalty for not obtaining additional authorisation is forfeiture of the entire amount charged and not just the amount in excess of the floor limit. Computerised systems help in monitoring guest account balances and in identifying guest accounts approaching a floor limit.

**Important: Handling Late Charges on credit cards:**

- ✓ In case of delayed or **late charges** received by front office cashier after check out of guest and therefore not put on the bill paid by the guest, the signed guest's charge record or voucher form is filled in the shaded area to indicate a delayed or late charge.
- ✓ The reason for the delay is mentioned in one word and the amount entered. A remark is made saying "signature on file".
- ✓ The revised total is made. The company honours no cancellations or alterations on the voucher or charge record.
- ✓ The check or bill/voucher of the late charge must be retained carefully to present to the card owner in case of a query or a copy of it attached with the CC voucher sent to the CC company for payment.
- ✓ At the end of the day all copies of the charge records are collected and totalled.
- ✓ About 100 charge records forms are entered on each page of the Summary of Charge Records. The Summary of Charge Records is imprinted using the special imprinter issued by the credit card company, signed by the authorised representative of the hotel and sent along with copies of all the charge records/vouchers to the credit card company. **(Format of CC vouchers/ slips and charge summary records)**

**Credit card transfer:** Credit card settlement creates a transfer credit on the guest folio and **moves the account balance from the guest ledger to the city ledger.**

**3. DIRECT BILLING OR BILL TO COMPANY/ACCOUNT (BTC):**

Some hotels extend credit to guests by agreeing to bill the guest or the guests company for charges incurred. This arrangement, called **direct billing**, is normally established through correspondence (in writing) between the guest or company and the hotel.

Related information:

- ❖ Usually the corporation or guest will need to complete an application for **credit approval**.
- ❖ The Controller of the hotel will then perform a **credit check** to determine the **credit rating** and a **credit limit**.
- ❖ This **house limit** of credit set by the hotel can vary depending on the amount of projected charges and the amount of time allowed for charges to be paid and the credit rating of the company.
- ❖ The application is accompanied with a **list of people/employees of the company** who are authorised to use the account.
- ❖ A list of approved direct billing accounts is maintained at the front desk for reference during reservation and registration. The hotel may issue **identification cards** with an authorisation number.
- ❖ It is the **responsibility of the company** to monitor the authorised use of the credit.
- ❖ The cashier must **verify COMPANY identification** of the **authorised guest**.
- ❖ Very often a company will **settle only the room charges and possibly breakfast charges**.
- ❖ Incidental charges –telephone, laundry, etc. - must be settled by **guest themselves**.
- ❖ So the guest account is divided into **master account (settled by the company) and incidental account (settled by the guest)**.
- ❖ At check out, the guest signs the folio and **statement is direct billed for collection**. Guest signs the folio and accepts the responsibility to pay the bill should direct billing account not pay the bill.
- ❖ Again, **SOPs** have to be followed **at check in** to ensure trouble free payments.

#### **PROCEDURE FOR HANDLING SETTLEMENT AT CHECKOUT FOR DIRECT BILLING ACCOUNTS:**

##### **At check in,**

1. Request corporate and personal **identification**.
2. Check to be sure the individual is authorised by the company to bill to the account (**there should be correspondence relating to this reservation on the company letterhead**.)
3. Check and verify that **the company is listed in the company volume guaranteed rate (CVGR) list of the hotel**.
4. Note any **credit limit** per employee or the services included in the agreement with the company. Anything not mentioned in the agreement will be billed separately to the guest's Incidental folio.
5. Note any **red flags** on the credit file due to **non-payment of bills**.
6. Note **authorised signature**.
7. Create a **Master and Incidental** folio.

##### **At check out---**

8. **Incidental account**- bill is settled by guest in cash or credit card, as previously confirmed at check-in. A **receipt** is given to the guest.
9. **Master account**- is settled by the company.  
The guest bill is shown to the guest for inspection, verification and **signature** at checkout.
10. A Transfer **voucher** is prepared to transfer charges to direct billing account in **city ledger**.

**Direct billing transfer:** Like a credit card settlement, a direct billing arrangement transfers the account balance from the **guest ledger to the city ledger**.

A direct billing causes the hotel's back office accounting division to become responsible for account billing and collection rather than an outside agency, as is the case in credit card account collection.

**4. TRAVEL AGENT VOUCHER SETTLEMENTS (TAV):**                      **Related information:**  
**What are Travel Agent Vouchers?**

- ❖ A travel agent issues a **voucher** to its guests **for arrangements** (for Room and F&B, etc.) made at a hotel and a copy of these details or TAV is also sent to the hotel.
- ❖ The voucher may already be paid for in advance **by the guest to the travel agent**.
- ❖ The hotel receives payment from the travel agent according to the rates already agreed upon (usually a discounted rate) **minus the commission** (TAC\_ Travel Agent Commission) or the TA charges for bringing business to the hotel.
- ❖ The repayment period or interval for the TA to the hotel is usually about 30 days.
  
- ❖ Often Airlines also follow a system of vouchers, called PSO- **Passenger Service Orders** that are issued to **layover passengers in case of delayed flights or cancellations**. Here also, the payment is received from the airline.
- ❖ Like direct billing, the TA usually only settle the guest room and maybe breakfast or package charges. So the guest account is divided into the Master account/folio, which is settled by the TA, and the Incidental account/folio to be paid by the guest for laundry, telephone, room service, etc.

**PROCEDURE FOR HANDLING A TRAVEL AGENT VOUCHER (TAV):**

**For the master folio:**

1. **At check in**, the TAV is collected from the guest or checked and compared with the **hotel's copy** sent by the TA for **accurate billing instructions and expenses covered** by the voucher.
  - **At reservation**, the hotel should ensure that the TA is on the **approved TA list** compiled by the sales department.
  - **In case of foreign travel agency's voucher, obtain authorisation from the lobby manager**
2. Signed guest vouchers are verified by the guest but **not given to the guest at check out** (because the room rate paid by the guest to the TA might not be the same as that paid by the TA to the hotel and these have to be settled by the TA so the master account/folio is not shown to the guest).
3. Guests will be given their incidental account/folio for settlement by cash, credit card, etc. and a receipt issued.
4. After check out, **the master account and attached vouchers** will be transferred to the accounts department **city ledger**. At the end of the week or month, the vouchers and a statement of the total account will be sent to the travel agent for collection.
5. The TA will send its settlement **less** the commission charged by them.

**For the incidental folio:**

6. Guest will be given their incidental accounts/folios for settlement.
7. Settlement is usually by cash, credit card or other already-approved and confirmed method (Done at check in)
8. The guest's bill, with receipt, is given to the guest.

**(Draw Format of TAV)**

## 5. DEBIT CARDS:

These are embossed plastic cards with a magnetic strip on the reverse side. **These cards authorise direct transfer of funds from a guest's bank account to the hotel's bank account for charges incurred rather than being billed to the guest on a monthly basis as in credit cards.**

Some debit cards have a **credit card logo** embossed on them which indicates they are acceptable at places where the credit card is accepted.

Debit cards are **processed** similarly to credit cards.

- Imprint the debit card with validation machine.
- Take guest signature on the imprinted and completed voucher.
- Process debit card voucher as a **cash payment** on the guest folio.

## 6. PERSONAL CHEQUES:

Most hotels do not accept personal cheques. Some hotels accept personal cheques only during banking hours in order to obtain bank verification if it is desired.

Hotels that accept personal cheques should require **proper identification** - license, passport, etc. Sometimes the amounts or dates of cashed cheques are recorded on the reverse of the guest registration card for reference. If cashiers are not allowed to accept personal cheques, they must know to whom they should refer guests. In some hotels the guest may be required to fill an **Application for using personal cheques** and the Front Office Manager is usually the sanctioning authority. **(Draw Format)**

**Protection against cheque frauds or bad cheques and PROCEDURE for accepting personal cheques:**

- Request the guest to **fill in an Application form** for using a personal cheque for settlement of bill. Get it authorised by the FOM.
- Request for guest identification documents- drivers license, etc.
- Check that the **signature** on the application form and the cheque match. If the guest has not signed the cheque in front of the cashier, request that the cheque be endorsed on the back.
- Check that the cheque is crossed as **"A/C Payee only"**.
- Check that the **amount in figures and words** is the same.
- Accept only **MICR** (Magnetic Ink Character Reader) cheques.
- Ask for a cheque for the **exact actual amount of the bill**.
- Check for **correct date**. Do not accept **undated (no date) or post-dated (future date)** cheques.
- Require that personal cheques written to settle an account be made **payable to the hotel and not to cash**.
- Check for correct **spelling** of the **hotel name**.
- Most hotels will **not accept second and third party cheques** and cheques drawn to **foreign banks**. (Second party cheques are made out to the guest presenting the cheque and third party cheques are made out to someone who has then signed the cheque over to the guest presenting the cheque.)

Note: Sometimes a guest may choose to use **more than one settlement method to zero** out a folio account. For e.g. a guest may make **partial** cash payment and **charge the remainder of his account balance to a credit card**. Front office cashier must accurately record the combined settlement methods and ensure that all required paperwork is properly completed.

Once the guest has checked out, the **room status must be up-dated**. Failure to do this can result in eventual room status discrepancies and lost room revenues (**sleeper**). Comparisons with the housekeeper's report may reveal early discrepancies.

Similar precautions should be taken to ensure that the front office does not continue to take messages or accept charges for departed guests. **Before the guest leaves the front desk, the front office cashier should check for any messages or mail awaiting guest pick-up**. Often front office staff and departing guest are primarily concerned about checkout procedures and forget to inquire about unclaimed messages or mail.

### **GROUP DEPARTURE:**

#### **1. At the Bell desk:**

- A. Sufficient number of bell boys are arranged to handle luggage of the group.
- B. Baggage down time and wake up calls times are important and must be checked and followed strictly.
- C. Allocate floors and rooms to bell boys to bring down the luggage down to the lobby.
- D. If on the day of departure the guests are not in the room the bell boys go to each group member's rooms and "pull" each group members baggage out of the room and bring it down to the lobby until the group is ready to leave. This process is called as "bag pull"
- E. Baggage is brought down to the lobby and counted. Bell captain obtains a baggage outpass.
- F. Room keys are handed to reception after clearance from the cashier and reception
- G. Finally the baggage is loaded onto the vehicle by the bellboys.

#### **2. At the reception:**

- A. Departure notification slips are issued half an hour prior to actual departure by the receptionist to telephones, housekeeping, room service, and food and beverage etc. to avoid any late charges.

#### **3. At the cashier:**

- B. Cashier prints out the master folio and individual folios (if any).
- C. Makes a room- wise summary for easy collection
- D. Master folio given to the tour leader and the individual bills are collected with the assistance of tour leader.

### **Problems at check out:**

#### **1. Long queues at check out:**

Since the standard method of check out requires the observation of certain steps, the guests often experience delays at check out. Some speedy ways that can be employed by hotels to reduce waiting time for guests and long queues at check out are:

##### **a. Express checkout (ECO):**

Some front offices perform **pre-departure activities** that help reduce waiting time and delays.

- ✓ Most front offices experience many guest departures between 7:30 and 9:30 a.m.
- ✓ In many hotels the guests may be informed of the express checkout services available **at check in and** if he would like to avail these services.
- ✓ A common pre- departure activity involves the production and early morning distribution of guest folio for guests expected to checkout that morning.
- ✓ The folio may be quietly slipped under the guestroom doors between 0200 hrs and 0400 hrs so that no one outside the room can tamper with them.
- ✓ Included with a pre-departure folio, the front office normally distributes an **Express Check-out option/form (ECO)** which approves transferring the outstanding account balance to an already imprinted credit card voucher.
- ✓ The guest then leaves the express checkout form at the front desk on his way out.
- ✓ Express checkout forms may also include a note requesting the guest to notify the front desk if here has been a change in departure plans: otherwise the front office will assume the guest is departing by the hotel's posted checkout time.
- ✓ This procedure usually encourages guests who have changed their departure plans to quickly notify the front desk before checkout time.
- ✓ Although the guest leaves the hotel after depositing the express checkout form, the front office must complete the guest's check-out by transferring the outstanding folio balance to a previously accepted method of settlement- credit card.
- ✓ In order to use an express checkout system effectively the front office must be **well organized and obtain appropriate** guest settlement information during registration.
- ✓ The front office must also take extra care to **update room status** as soon as the guest departs and the express checkout form is received. When guest departure is expedited, both the guest and the busy front office benefit. **(Draw Format)**

**b. Self-checkout:**

- ✓ **Self-checkout** lobby terminals and in-room computer interfaces with a front office computer system can reduce the time it takes to process guest checkout and significantly reduce front office traffic.
- ✓ Like self-registration terminals, self- check-out terminals vary in design. Some resemble an automatic bank teller machine, while others may possess both video and audio capability.
- ✓ To use a self-checkout system, the guest accesses the proper folio and reviews its contents. Settlement can be automatically assigned to a credit card so long as the guest presented one at registration.
- ✓ The checkout procedure is completed within the guest's balance is posted to a credit card and an itemized statement of accounts is printed and dispensed to the guest.
- ✓ The system then takes responsibility for automatically updating room status and creating a guest history file.

**c. In-room folio review and checkout functions** may rely on in room computer terminals or guestroom telephone to access and display guest folio data on the guestroom television screen.

- ✓ An interface to a front office accounting system allows the guest to access folio data and approve a method of settlement for his account.
- ✓ Newer technology may provide computer- synthesized voice responses through the guestroom telephone.
- ✓ Each method provides guests with folio totals and details and directs a self-checkout procedure. Printed folio copies are typically available to guests to pick up at the front desk.

- ✓ Similar to other self-checkout technologies, in-room computer applications automatically updates room status and creates a guest history file entry.

#### **SPECIAL PROMOTION PAYMENT METHODS:**

- During registration, guests may **present vouchers, coupons, gift certificates, or special incentive awards** received from business, airlines, credit card companies, or even hotel's own loyalty programme memberships, etc.
- Front desk agents must be aware of hotel agreements to honour such items and know how to properly credit the bearer.
- Care should be taken to confirm value, condition and terms of each such voucher as they will all differ.
- Also, the vouchers represent a form of payment and may be the actual documents the front office will use to reconcile the guest's bill, so they should be signed by guests and handled carefully.

## **2. Late checkouts:**

At some point, the front office will encounter guests who do not checkout by the hotel's posted checkout time. To minimize late checkout hotels should be sure to post checkout time notices in conspicuous places, such as on the back of guestroom doors and at the front desk. A reminder of the checkout time can also be included in express checkout materials that are distributed to guests.

Some hotels charge guests late checkout fees when they depart after the hotel's stated checkout time. When guest requests permission for a late checkout, the front office should inform him if any additional charges will be applied. If no request is made, the extra charges appearing on a folio will probably surprise the departing guest.

Regardless of how the guest is informed about additional expenses, he may feel resentment and may refuse to pay. A cool, businesslike demeanour and a reasoned explanation from the front office cashier may help calm an irate guest. A front office manager may have to negotiate the matter with the guest.

Front office staff should not feel defensive about late checkout fees. Checkout time is carefully selected and is not arbitrarily set to inconvenience guests. It is established by management to provide housekeeping with sufficient time to prepare the rooms for newly arriving guests. Rooms must be cleaned and readied for arriving guests before the housekeeping staffs completes its shift.

## **3. Late charges:**

Late charges are a major problem in guest account settlement. A late charge is a transaction requiring posting to a guest folio that does not reach the front office until the guest has checked out and left the hotel.

Restaurant, telephone and room service charges are common examples. If payment for these charges is not collected before the guest leaves, it may be difficult to ever collect. Even if late charges are paid, the hotel incurs additional costs from account billings expenses such as department labour, postage, envelopes and special statement forms which may total more than the amount of the late charge. Obviously, few hotels can afford a large volume of late charges. Reducing late charges is essential to maximizing profitability.

There are several steps that front office cashiers can take to help reduce costly late charges:

- Post transactional vouchers as soon as they arrive at the front desk to minimize unposted charges during a busy checkout period.

- Before checking a guest out, survey front office equipment and area for unposted charges or vouchers.
- Ask departing guests whether they have incurred any recent charges or recently placed telephone calls from their room telephones or had tea or a meal just before reaching the desk.

While guests tend to respond honestly to direct questions, many guests feel no obligation to voluntarily inform the front office cashier of charges not posted to the folio. Some guests will simply pay the outstanding balance on the folio and disregard unposted charges.

Hotel management may consider establishing a system to ensure that revenue outlet charges are delivered quickly to the front desk for posting, especially during peak morning checkout periods. The front desk may employ runners to pick up transaction vouchers, telephone relays, pneumatic tube networks or computer interfacing. **A property management computer system that interfaces with revenue centre outlets is often the most effective means of reducing or eliminating late charges.** With a POS interface, restaurant charge vouchers can be verified for room account validity, checked for credit authorization, and posted to the guest's folio before the guest leaves the restaurant. Similarly, an interface with call accounting equipment reduces telephone late charges. Guests who make in-room telephone calls and then go directly to the front desk to check out should find all telephone charges automatically posted.

### **BILLING AND COLLECTION**

Guest account settled to a credit card or direct billing arrangement are transferred to the city ledger for billing and collection. Guests may also have to be billed after departure for late charges or if the guest's methods of payment failed to settle the account. Generally, account billing is handled by the hotel's back office accounting division, not the front office. However; the front office is responsible for providing complete and accurate billing information to the accounting division.

#### **Unpaid account balances:**

No matter how carefully the front office performs its functions throughout the guest cycle, there is always the possibility that a guest will leave without settling his accounts. A skipper may leave with no intention of settling the account. Guests may also honestly forget to check out when leaving (DNCO). The front office may also discover late charges after a guest has checked out. Regardless of the reason, after – departure charges represent unpaid accounts balances.

A policy which may help reduce unpaid account balance is requiring a **key deposit during registration**. Guests are usually eager to retrieve their deposits, and more likely to return to the front desk before they leave the hotel if there is a direct benefit to them. When the front office cashier returns a deposit to a guest he has an opportunity to retrieve the guest's folio, search for any late charges, and complete the settlement process.

**Late charges** that are billed should not be assumed to be uncollectible until the front office has followed established billing and collection procedures. **A properly completed registration card** contains the guest's signature home and business and perhaps telephone numbers. If the guest paid cash at checkout, the guest is billed according to the hotel's policies. If the guest used a credit card, specific credit card company procedure for late charges should be followed. Likewise, direct billing late charge procedure must be adhered to.



Sometimes guests do not mean to leave the hotel without paying. A guest may be in a hurry and actually forget to settle his account. Often, guests may assume that, since they present a credit card at check-in, all charges will automatically be transferred to their credit card account for billing. Depending on the credit card company's agreement with the hotel, simply writing "signature on file" on the signature line of the credit card voucher may allow the hotel to receive payment for the guest's outstanding balance.

### **Collection of accounts:**

Guest accounts not settled at checkout by cash payment in full regardless of the credit established or prepayment made during registration are **transferred from the guest ledger to the city ledger for collection**. At that time, the account leaves the control of the front office and becomes the responsibility of the hotel's back office accounting division.

### **Typical city ledger accounts include:**

- a. Credit card billing to authorized credit card companies
- b. Direct billing to approved companies and individuals
- c. Travel agency accounts for authorized tours and groups
- d. Bad check accounts resulting from guests whose personal checks were returned unpaid
- e. Skipper accounts for guests who left the hotel without paying
- f. Disputed bills for guests who refused to settle their accounts
- g. Guaranteed reservations for no-show guests- retention charges
- h. Late charges for guests who left before charges were posted to their accounts
- i. House accounts for non-guest business and promotional accounts

To be successful, a hotel must establish a **BILLING POLICY** with specific guidelines. Typically, management determines the procedures and billing cycle appropriate for the hotel and its clientele.

Considerations include determining:

- When account balances are payable
- How to contact guests whose accounts are overdue
- The number of days between billings

The sooner the collection process is started, the sooner the hotel is likely to be paid. Timing is the key to success in preparing guest and non-guest accounts for collection. Each property will have its own collection schedule. **Collection schedules** can range from aggressive to lenient depending on the property's need, clientele, and former collection problems, and so on.

Being polite but firm with those who owe the hotel money often pays off; it is typically more effective than becoming angry. It is important to keep in mind that collection activities that violate a consumer's rights can be more costly than the original debt.

Regardless of the procedures followed, problems in approving credit or in billing may develop. The hotel should have a procedure for collecting overdue accounts. If a property has a **credit committee/department**, it typically is responsible for examining overdue accounts and deciding among collection options.

Some properties track uncollectible accounts back to the originating department. For instance, if a front desk agent does not ask the guests to clarify illegible writing on a registration card, and as a result a

wrongly addressed billing is returned by the post office, the front office may be charged the uncollectible amount. This method of tracking receivables to particular departments may help identify which department is regularly responsible for uncollectible account balances. The credit committee, credit manager, or general manager may be able to analyze a problem, department procedures and strengthen them as necessary. Problems often indicate the need for retraining or closer supervision.

### **ACCOUNT AGING:**

Credit card billings are normally paid according to the hotel's contractual agreement with the credit card company. Most other city ledger accounts are usually settled within 30 days of billing, which is generally considered satisfactory. Since some city ledger accounts may take longer than 30 days to collect, the hotel should **establish methods for tracking past due accounts. This principle is referred to as account aging.**

Account aging analysis may differ from property to property depending upon the variety of hotel credit terms in effect. Account aging is typically **monitored by the back office accounting division** in larger properties, or the night auditor in smaller properties. Hotels depend on their receivables to cover operating costs and mismanagement of the aging statement may result in poor cash flow.

An **Account Age Analysis Sheet** identifies which accounts receivable are 30, 60, 90, or more days old. This tracks how long each receivable has remained uncollected. **(Draw Format)**

### **The collection process includes:**

- ❖ The account aging schedule analyses and identifies the accounts receivable that are 30, 60, 90 or more days old.
- ❖ Every hotel must have quick, repetitive and consistent collection process.
- ❖ For all accounts, the first billing should go immediately after a guest departs from the hotel.
- ❖ In non-guest a/cs it should be no later than 30 days after the sale.
- ❖ This initial billing should be followed up by periodic billing at 30-days intervals which may be shortened to 15-days intervals if collection is not effected by the second billing cycle.
- ❖ Collection notices should become progressively insistent- statements indicating that the a/c is overdue or that this is the second or third reminder or request for payment, etc.
- ❖ If still unpaid, legal action can be threatened. However, this should be done reluctantly and with great caution as it may create negative publicity for the hotel also.

### **Front office records:**

The front office usually makes at least **two copies of each guest account folio**. One serves as a receipt for the guest and the other is kept as the hotel's permanent record. Hotels that use a three – part folio usually file the third copy with the guest's credit card voucher or direct billing statement for reference in case of guest disputes or refusal of payment by a credit card or sponsoring company.

In non-automated and semi- automated operations, **registration cards and folio copies** are often maintained in physical storage files. Registration cards are filed alphabetically, while folios are filed numerically by serial number. In a fully automated operation, computer system records may be stored on disks or in printed form. These records back up the original billing.

### **Promotional materials**

A number of marketing programs may depend on the front office's performance and follow through at checkout. For e.g., if the hotel offers a promotion which rewards guests with a free stay after a certain number of visits, the front desk agent may have to validate a coupon that records the number of stays for the guest. If the guest needs a reservation for the next stop on his trip, the front office may be able to

perform this service. A reservation for a return stay at the hotel can be made at this time as well. Front desk agents should keep in mind that this is their last opportunity to sell on behalf of the hotel. The offer to make reservations for guests in transit, or to make reservations for their next trip to the hotel will often pay off in repeat business regardless of whether the guest makes a reservation at this time or not.

### **Guest histories**

**The last step in the settlement process is the creation of a guest history record.**

Many hotels simply use expired registration cards as the basis for their guest history files. Resort hotels in particular often have extensive forms requesting specific information to help them cater to their guests needs. Names of spouses and children, birthdays, hotel room preferences, favourite foods, and so on may be placed on file for special guests or all guests.

A guest history record can be used by the hotel's sales and marketing division as a source for mailing lists or, in combination with other guest history records, can help identify guest characteristics important for strategic marketing. This information may help the placement of advertisements, indicate the need for supplementary services, or identify potential guest service enhancements. Software for a computerized guest history system may allow the hotel to excerpt data for use in its marketing efforts, and to measure the effects of past efforts. For instance, a computerized guest history package may enable the hotel to determine the geographic distribution of its guest's home and business addresses. With this kind of data, hotel advertising may be placed more effectively. It is important to remember that guest history files are confidential and proprietary hotel records. The hotel owes its guests protection from an invasion of their privacy.

### **Useful information:**

- **Postal codes** - for geographic profiles of the guest.
- **Need for conventions and conferences** - **to target marketing efforts**
- **FAM tours**- arrange for tour operators, travel agents who can give business to the hotel
- **Origination of reservation:** corporate coming from secretaries, billboard advertisements, TV ads, etc
- **Frequency of guest visit**-- for freebies such as rooms, extra guest, dinners, etc.
- **Types of rooms requested**—non-smoking requests, king-size vs. single bed requests, pantry facilities, etc
- **Room rates vs. occupancy patterns**- - requests for certain price categories

*(In the next chapter of 'Cash and Credit Control' we will discuss the importance of cash and credit control and the methods used by hotels to achieve this control)*

### **Assignment:**

1. What are the SOPs to be followed when accepting credit card settlements at checkout?
2. List the procedure to be followed when accepting foreign currency as the mode of settlement at check out.
3. What is an 'Encashment Certificate'?
4. What is a **demand draft**?
5. List the differences between a **personal cheque, a travellers' cheque and a demand draft** in a tabular format.
6. Explain a **credit card, charge card and a debit card**.
7. List the **differences** between the main features of a credit card, a charge card and a debit card in a

tabular format.

8. What is a **PSO**? How is it processed by the hotel?
9. Write the step by step procedure for handling a **check out and settlement** of a guest reserved by a **travel agent**.
10. Detail the procedure to be followed, from reservation till check out, by the hotel when dealing with **direct billing accounts**.
11. What are **late charges**? How are these handled by the hotel? How can these be minimised?
12. How can **long queues** be avoided at the front office cashier desk at check out?
13. Draw a flow chart summarising the procedure followed by the hotel for **Express Check Out**.
14. Explain briefly:
  - a. Zeroing out
  - b. PAN card
  - c. FEMA
  - d. EDC
  - e. EFTPOS
  - f. Floor limit
  - g. OLA
  - h. Cancellation bulletin
  - i. Late charges
  - j. CVGR
  - k. Red flag
  - l. MICR
  - m. ATM
  - n. DNCO
  - o. FAM tour
  - p. CVV
  - q. CVV2
  - r. PIN
  - s. CSC
  - t. VBV
  - u. Hologram
16. What is an '**aging cycle**' used for?
17. List the **types of accounts** commonly found in the hotel's **city ledger**.
18. List 5 **Credit Card Associations**.
19. List the **major credit cards** accepted by most 5 star hotels today.

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