

Front office Accounting

What is an account ?

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 calculated and the resulting monetary amount is called as account balance. Any financial transaction that occurs in the hotel may affect several accounts. Front office accounts are recordkeeping devices to store information about guest and non-guest financial transactions.

The simplest form of writing an account is the “T” form {as it resembles the letter T}

Account name	
Charges	Payments

Computers have replaced the use of these T accounts. However the principle behind usage of accounts remains same.

Types of accounts at the front desk:

1} Guest accounts:

A guest account is a record of financial transactions which occur between a guest and the hotel. Guest accounts are created when guests guarantee their reservations or when they register at the front desk. During occupancy, the front office is responsible for and records all transactions affecting the balance of a guest account. The front office usually seeks payment for any outstanding guest account balance during the settlement stage of the guest cycle. Certain circumstances may require the guest to make a partial or full payment at other times during the guest cycle. For example, if the front office is to enforce the hotel's house limit, guests who exceed that limit may be asked to settle part or all of the outstanding balance. When there is a house limit, account settlement action is initiated when the account balance exceeds a predetermined limit, not at the time of check-out.

2} Non-guest accounts:

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 hotel. The front office creates non-guest accounts to track these transactions. These accounts may also be called house accounts or city accounts. Non-guest accounts are also created when a former guest fails to settle his or her account at the time of departure. When the guest's status changes to non-guest, the responsibility for account settlement shifts from the front office to the back office {accounting division}. Unlike guest accounts, which are compiled daily, non-guest accounts are normally billed on a monthly basis by the hotel's accounting division

Voucher:

A voucher details a single transaction to be posted to a front office account. This document lists detailed transaction information gathered at the source of the transaction. The voucher is then sent to the front office for posting onto the guest folio.

Usually any service or goods brought on credit by the guest has to be supported by a voucher.

Types of voucher:

Charge vouchers such as Restaurant/ Bar check

Cash advance/Paid out voucher

Allowance vouchers and Correction vouchers

Cash Vouchers

BASIC PRINCIPLES OF ACCOUNTING:

- Any amount paid by the guest to the hotel is posted in the debit column. A debit{dr.} therefore is money owed by the guest to the hotel
- Any money received from the guest is posted in the credit column. A credit therefore is any money paid by the guest towards settling his/her bill including advance deposits.
- The balance column reflects a progressive difference between debits and credits calculated on basis of the formula “ **previous balance + debits – credits = net outstanding balance**”

These principles are applicable to the guest **folio/bill in which all cash and credit transactions are recorded for each resident guest which increase or decrease the balance of a single account. It is also called as “guest account card”. In some hotels it is also called as Guest weekly bill.**

The debit transactions are recorded to the left of the folio while the credit transactions are recorded to the right. The outstanding balance is calculated by subtracting the right from the left.

In the manual system the folios are maintained in hard copies in folio racks at the cashier's cabin or back office. In an automated system the folio remains in the computer and a hard copy is printed out only at the time of guest check out. **Each entry into the folio is called a posting . Each posting is recorded sequentially in the folio in the order of transactions on a given date.**

When an account is created, it is assigned a folio with a starting balance of zero.

A debit entry will increase the guest's outstanding balance while a credit entry will decrease the outstanding balance.

At departure the outstanding balance has to be returned to zero by cash payment or by transfer to an approved credit card or to a direct billing account

Guest folio format :

POINTS TO REMEMBER WITH REGARD TO A FOLIO:

1. A folio is **raised as soon as the guest checks in.**
2. The initial outstanding balance {when it is opened} of the folio is zero
3. **Details on a folio:** Guest name, Room Number, date of arrival, date of departure, Room rate, address, billing instructions. Each folio has a serial no. which will help keep a control on folios for the purpose of audit.
4. The **cashier is responsible** for the guest folio till the guest departs.

Types of folios used in hotels:

- Individual guest account card/folio: To record transactions made by an individual or independent guest with the hotel. Also called as guest folio
- Group folio/master folio: One folio for the whole group and this folio is required to record all transactions made by the group{which are part of the package of the group}
- Semi-Permanent or non-guest folios: In this folio the credit financial transactions made by non-resident guests with the hotel are recorded. Also known as city account card or non-resident guest account card.
- Employee folio: All the financial transactions {if any} made by the employees are recorded
- Permanent/ companies/airlines folio: Separate folios are maintained for all companies, agencies, organizations with whom the hotel has permanent billing arrangements.
- Split Folios: Split folios are those when two guests wish to have separate accounts though they share the same room. Room charges will feature on one folio for convenience, other charges would reflect individually in split folios.

Another case of split folios is when a company executive would like to maintain two separate accounts one that is charged to his/her company while the other is to record his/her personal expenses.

Ledgers used at the front desk

A front office ledger is a collection of front office account folios

There are two main types used at the front desk

- 1} Guest ledger {Transient ledger/front office ledger and room ledger}

Guest ledger is the total set of all account folios of guests registered in the hotel {in-house guest} hence any debit entry to the guest folio will not only increase the guests balance but will also increase the net outstanding balance of the guest ledger.

2} City ledger {Non-Guest Ledger}

City ledger records all accounts that do not belong to resident guests. At the time of check out if the resident guests outstanding balance is not brought to zero , the same is transferred from the guest ledger to the city ledger.

At the time of account transfer, the responsibility for account collection shifts from the front office to the accounting division (back office).

Accounts which are included in city ledger:

- Credit card payment accounts
- Direct billing accounts {guests' whose bill will be settled by the company}
- Airlines
- Travel agencies
- Skipper's account
- Bad cheques account {Bounced cheques of guests}
- Disputed bills account
- Retention charges account from DNA guests

Account aging:

Most of the city ledger accounts are settled within 30 days of billing which is generally satisfactory. However there will be some which will take longer than 30 days to collect . The hotel should establish methods for tracking past due accounts which may be based on the date the charges were incurred. This practice of scheduled billings is normally referred to as account aging. At large properties the accounting division monitors account aging while at smaller properties the night auditor may assume this role. An account age analysis sheet identifies which account receivables are 30, 60, 90 or more days old. Accounts lesser than 30 days old are considered current. The accounts over 30 days are considered overdue and the ones above 90 days are delinquent The front office should maintain a list of accounts over 90 days due. Guests asking for reservation on an overdue account may be asked to pay cash or by a valid credit card until the account is considered current