

CHECK-OUT AND SETTLEMENT

- Checkout and settlement describe the activities associated with the final stage of the guest cycle (i.e. departure).

Check-out and Account Settlement:

- The major activities, which are conducted at departure, include:
 1. Resolving outstanding guest account balances
 2. Updating room status information
 3. Creating guest history records

Guest account settlement depends on an effective front office accounting system that maintain accurate guest folios, verifies and authorizes a method of settlement and resolves discrepancy in account balances. Most front office requires a guest to specify during registration an eventual method of settlement.

Departure Procedure:

- At checkout, front office clerks shall:
 1. *Check for mails, messages, and faxes*
 2. *Check for safe deposit box, or in-room safe keys*
 3. *Departure Errand Card to be prepared by the bell boy*
 3. *Post all outstanding charges*
 4. *Verify account information*
 5. *Inquire about additional recent charges*
 6. *Present the guest folio for guest signature*
 7. *Verify the method of payment*
 8. *Process the account payment (i.e. zeroing out the account)*
 9. *Take a feedback from the guest regarding his stay*
 10. *Update the room status*

Check out affords the front office yet another chance to make a positive impression on the guest. The front desk agent should check for any messages, faxes or mail awaiting guest pick up. The front desk agent should also verify that the guest has cleared his or her safe deposit box or in-room safe and returned the key.

To ensure that the guest folio is accurate and complete, the front desk agent should process any outstanding charges that need posting. In addition, the front desk agent should ask the guest if he or she incurred any recent charges and make the necessary postings to the guest folio.

Traditionally, at check out, the guest is presented a final copy of his or her account folio for review and settlement. During this time, the front desk agent should ask how the guest intends to settle his account, regardless of which method of settlement the guest specified during the registration process. A guest may establish credit by presenting a credit card at check-in.

After determining how the guest will pay, the front desk agent should then bring the guests' account balance to zero. This is typically called *zeroing out* the account. A guests' account balance must be settled in full for an account to be considered zeroed out. As long as the hotel has received full payment or is assured of full payment, the account will be settled with a zero balance. If an account is to be paid by company, it must be transferred to a city ledger and billed through the account receivable system.

Presentation and Settlement of Bill

A departing guest can settle his bill by a number of ways. Mainly they can be grouped into two: cash and credit.

I. Cash Mode:

The cash mode includes payment of bill in Indian rupees and acceptable foreign currency such as dollars and pounds etc. This also includes payment by travelers cheques which can be of Indian rupees or foreign currency) against the bill and issues him with a cash receipt. If the guest has paid in foreign currency and there is any balance amount to be given back to the guest then the same is given in Indian rupees. An **encashment certificate** is also issued to the guest. A cash payment in full at check-out will bring a guest account balance to zero. A guest may have had a credit card imprinted at registration, even though he or she intended to settle the account by cash. The front desk agent should destroy the guests' credit card voucher imprinted at registration when the guest pays the account in full with cash.

Foreign Currency Transactions:

The tourism industry in any country is a prime source for the generation of foreign exchange. Governments would, therefore like to keep a close tab on the flow of foreign currency. The stipulations for a hotel are:

1. The hotel should have a license called 'Restricted Money Changers License' to exchange foreign currency.
2. Someone must be authorized to deal in foreign exchange transactions, normally the front office cashier.
3. Exchange is done only in local currency
4. Exchange rates must be displayed prominently at the exchange points.
The rates are governed by the RBI which updates them on a daily basis
5. Foreign currency exchange can be only extended to resident guests.

Procedure for accepting Foreign Currency:

The front office cashier has to follow certain procedures as stipulated by the RBI while receiving foreign exchange. The procedure is as follows:

1. Request the guest for his/her passport and determine the credentials such as name and photo identification, place of issue, date of issue, and date of expiry of the passport.
2. Confirm that the guest is a resident of the hotel.
3. Check if the foreign exchange is accepted by the Government. Normally transactions are done for dollars, sterling pounds, euros and yen.
4. Receive the cash or Travelers Cheque.
5. Calculate the total amount of local currency to be paid by multiplying the foreign currency total amount by the exchange rate displayed.
6. Fill in details in the Foreign Exchange Encashment Certificate which comes in serially numbered books for better control.
7. Request the guest to sign the Travellers Cheque if it is the instrument of exchange. Make sure that the signature tallies with the earlier signature on the TC.
8. Request the guest to sign the Foreign Exchange Encashment Certificate and compare the signature with the passport.
9. Give the total amount of local currency with the original Foreign Currency Encashment Certificate to the guest.
10. Attach the second copy of the Foreign Currency Encashment Certificate to the notes or Travellers Cheque.
11. Leave the third copy of the certificate in the certificate book.
12. Fill in details in the Record of Foreign Currency Transactions. This is a control sheet of all foreign currency transactions in a shift.

Settlement of bill through Travellers Cheques: Travellers Cheques are issued by various banks in various denominations, for example, Rs.50/-, 100/- or Rs.500/- etc. Suppose a person wants to buy travellers cheque worth

Rs.10000/- in the denominations of Rs.500/-, he will fill up a form, be required to deposit Rs.10,000/- in the bank and he would be issued with 20 nontransferable travelers cheques of Rs.500/- value each. A certain amount of commission may have to be paid by him to the bank.

There are two spaces for the buyer's signature. At the time of purchase he has to sign at one of the places in the presence of the issuing authority. i.e., the bank manager or his representatives. He is issued with counterfoils, also called as record slips. Other details on the travelers cheque are, (a) number of the cheque, (b) a date column, (c) the amount of cheque is printed on the face of the travellers cheque, and (d) the signatures of the bank authority etc. *Travelers cheque is as good as cash.*

Difference between an Ordinary Cheque and a Travellers Cheque

Ordinary Cheque	Travellers Cheque
1. For issuing a cheque a person should have a bank account (either current or saving).	1. No need of any bank account for purchasing and encashing of travelers cheques.
2. Any amount can be filled in the cheque as they are blank	2. Have a fixed amount printed on its face and available in different denominations.
3. Only one signature is needed of the holder	3. Two signatures are required (one in the presence of issuing authority and second in the presence of encashing authority)
4. Ordinary cheques are valid only for 3-6 months	4. Valid for indefinite period of time unless dated.
5. These cheques can be crossed for account payee	5. No such provision.

6. No slip/list of lost, damaged or stolen cheques is issued by bank.	6. Many banks issue a stop list or stolen and damaged cheques.
7. Cheque may bounce as the balance in account may be less than the cheque amount.	7. No such possibility as the amount is already printed on the face of the cheque.
8. Not safe as someone might force the owner to sign the cheque.	8. Quite safe because the second signature has to be put in front of the encashing authority.

At the time of settlement of bill the cashier of the hotel presents the bill to the guest and if the guest intends to settle his bill by travellers cheque, the cashier asks him to countersign at the specified place on the face of cheque and tallies his signature with the first signature. A travellers cheque cannot be encashed if the second signature does not tally with the first one.

The cashier should also ensure that the travellers cheque is not predated. Once the date is put on the travellers cheque it is valid for only six month, otherwise, the cheques are good until used and there is no time limit for their encashment. The cashier should **confirm the identity** of the guest by asking for his passport or driving license etc. form safety and security point of view. Ensure that the cheque is not damaged, mutilated or changed in any way before accepting it. Check the exchange rate (in case of foreign currency travelers cheque) before converting into Indian Rupees. Any balance shall be paid in Indian Rupees. An **encashment certificate** shall be issued to the guest.

Travellers cheques are a very safe and convenient way of transporting currency. There is no danger even if they are stolen, snatched on a gun point etc. as they will be encashed only when they will be signed by the holder in the presence of the encashing authority and the second signature tallies with the first signature.

The advantage of travellers cheques is that it has double check system because of two signatures and chances of it bouncing like an ordinary cheque are not there.

A foreign travellers cheque must be treated like foreign currency and the necessary records and statements and certificates must be maintained like in case of foreign currency and required records should be sent to Reserve Bank of India by the hotel.

2. Credit Mode.

Credit mode of payment includes **(i) Airlines vouchers (ii) Company Account Payment, (iii) Travel Agency Vouchers (iv) Credit Card Payment, (v) Personal Cheque** payment by the guest.

- (i) **Airlines vouchers:** Some airlines give **MAO** (Meal and Accommodation Order) and **PSO** (Passengers Service Order) to the layover passengers travelling from one destination to another. The passengers are provided with specified meals and the accommodation by the hotel on the basis of the same for which the payments are made by the airline.
- (ii) **Company accounts:** Directors and other top executives of various Corporate Companies keep travelling from one place to another very frequently. The companies issue authorization letters to their executives on the basis of which they get services such as accommodation etc. from the hotel. At the time departure the **guest signs his bills** and checks out. The hotel sends this signed bill to the company which makes the payment.
- (iii) **Payment by Travel Agency Voucher:** Generally a travel agent who sells a package to a tourist collects the money from the tourist in advance which includes accommodation and the other service charges. Travel agency voucher indicates that the guest has prepaid to the travel agency

amounts for accommodation etc. and the recovery of such amounts are made from the travel agent and not from the guest. The travel agent sends copy of voucher to the hotel at the time of booking and gives the record copy to the traveler who submits his copy to the hotel at the time of arrival. The receptionist should tally both the copies. Most of the travel agents voucher includes the services to be offered to the guest. The front office cashier should take the following steps in this case:

- a. Receive the travel agency voucher and see what billing instructions are mentioned in the folio. Read billing instruction very carefully as sometimes the travel agent might instruct the hotel to collect the payment from the guest directly.
 - b. Read the voucher carefully and determine whether it has been issued from a bonafide agency as issued by the accounts department of the hotel.
 - c. See that all the expenses / charges are covered by the voucher.
 - d. If the voucher is from a foreign travel agency, get it authorized by the Lobby Manager.
 - e. Ask the guest to sign on the reverse of the travel agency voucher.
 - f. The guest should sign the folio at the time of check-out.
 - g. Attach the voucher and the folio(s) together.
 - h. The hotel sends the original voucher along with the guest bill (including all department vouchers) for payment.
 - i. Usually within a month the travel agent makes the payment of the bill to the hotel.
- (iv) **Settlement of Bill through Credit Card:** It is one of the most commonly used methods of bill settlement by a guest. It is a small, convenient to carry plastic card issued by banks.

Every credit card has an authorized amount by the bank as an authorized limit called the **floor limit**. If the amount of guest bill is within the authorized limit then at the time of departure the guest has

to sign a **credit card voucher**. At the time of arrival, when the arriving guest indicates that he will use credit card for the bill settlement, he is requested by the receptionist to produce his credit card. The card has the name of the guest, the number and validity date embossed on it and the receptionist makes sure the following:

- a. The hotel accepts the company's credit card.
- b. The card is not an expired card (he checks the expiry date)
- c. The card is not a stolen card (he consults the stop lists /black list / cancellation bulletin sent regularly by the credit card company). In case the card is stolen or an expired one the receptionist, after informing the guest, should take and cut it with a cutter or scissor and then send to the credit card company to avoid any further misuse of the card. For this he may be rewarded by the credit card company.
- d. **Floor limit:** The limit up to which the guest can be given the credit. If the bill amount exceeds the credit limit of the card, the cashier must take permission from the Credit Card Company for the over-limit amount. This is called as **over-limit authorization number**. The limit varies from company to company. Sometimes the color of the card, like green, white and golden, etc indicate the credit limit.
- e. He should check the validity of the card by passing it through a special magnetically charged validation machine called the **magnetic strip reader**. This process is also called as "**Card Approval**" process. Once satisfied, the receptionist shall pass it through an imprinter along with charge slip and take the impression on them. In case of scanty baggage guest or an unknown guest the receptionist should request the guest to sign some blank charge slip in advance. At the time of departure the guest is presented with the bill along with the charge slips, which he signs. Ask him to produce his credit card and check his signatures. Make a "charge record" which should have the total amount in Indian rupees payable by the

guest, credit card number, the name of the card holder, the name of the hotel, date of charges, the bill number etc. Three copies of charge records, which sometimes is also called as billing statement are made (one copy is hotel's copy, also called as service establishment copy, second copy is for credit card company and third copy called as card holder's copy is returned to the guest (a copy of the bill may be attached with this charge record in case guest requests for it)

In order to avoid any dispute at a larger stage the hotel must retain all the original bills of the guest till the payment is cleared. The payment of the bill is made to the hotel by the credit card company which in turn collects the payment from the guest directly by sending a monthly statement. This monthly statement not only contains the hotel's bill but the details of his other purchases at other places also.

- f. **Reserving Credit:** The front office may reserve a specified amount of pre-authorized credit in a guest's credit card account to ensure payment for goods and services.

(v)**Payment by Personal Cheques:** Normally payments by personal cheques are not accepted. Inform the guest politely that payments by personal cheques are not entertained. In case of further insistence from guests, ask them to contact the lobby manager for an authorization. On the receipt of the authorization from the Lobby Manager, give the application for payment by personal cheques. Check the details of the cheque and make sure that it has been marked 'A/c Payee Only' and is duly filled. Compare the signature on the cheque with that on application form. Enter details in the front Office cashier's report. Settle the bill.

(vi) **Combined settlement method:** A guest may elect to use more than one settlement method to bring the folio balance to zero. For example, the guest may make a partial cash payment and make the remaining payment by credit card. In this case, depending on which combination, front office clerk shall proceed by preparing different kinds of vouchers.

2. **Sales minded cashiers!**

- As guests tend to depart from the hotel, the cashiers shall approach them in the following way:
 - a) Provide them comment cards and encourage them to use these very cards
 - b) Thank the guest for choosing the hotel and wish him/her a safe trip
 - c) Ask the guest whether he/she is considering returning to the property on any return trip to the area. Cashiers might sometimes accept future reservations!

III- **Check Out Options:**

- There are a lot of innovative ways to check out apart from the traditional way. Below are two commonly used check out options (apply usually only to guests who have provided valid credit cards at registration):

1. **Express check out:** This is usually convenient for guests who decide to check out very early in the morning. In fact, at night, bellboys (for example) shall slip the guest folio under the expected departure guestroom. When the guest wakes up, he/she shall sign the guest folio, and the credit card voucher, leave the room, give back the room key to the bellboy, and depart.
2. **Self-check out:** Guests might check out using self-check out terminals situated at public areas or in their rooms if in-room check out systems are integrated with front office main frame.

3. **Late check out:**

Late check out refers to the situation where guests check out after the hotel's established check out time. Late check out shall not be considered as a guest

right, rather a privilege which might be honored by the front office manager upon room availability whether free of charge or charged a late check out fee.

Unpaid Account Balances:

No matter how carefully the front office monitors a guests' stay, there is always the possibility that the guest will leave without settling his bill. After departure charges or outstanding balances represent unpaid account balances.

- Unpaid account balances occur because of the following reasons, most of which are because hotels do not operate fully-automated systems:
 - a) A departing guest honestly forgetting to settle his/her account
 - b) Late charges (being one of the most important reasons)
 - c) Skippers
- In order to minimize late charges, front office clerks shall:
 - a) Post transactional vouchers as soon as they arrive at the front desk
 - b) Survey front office equipment, voucher and folio racks for non-posted charges before the front office clerk checks a guest out
 - c) Ask departing guests whether they have incurred any charge purchase or placed long distance telephone calls, which do not appear on their final folio

Account Collection:

- Guest accounts not settled at checkout by cash payment in full, regardless of the credit established, are transferred from the guest ledger to the city or the non-guest ledger for collection. At that time the guest account is transferred from the control of the front office to the hotel's accounting division. Typically city ledger accounts include :
 - a) Credit card billing to authorized credit card companies
 - b) Direct billing to approved company and individual accounts
 - c) Travel agency accounts for authorized tours and groups

- d) Bad check accounts resulting from departed guests whose personal checks were returned unpaid
- e) Skipper accounts for guests who left the hotel without settling their accounts
- f) Disputed bills accounts for guests who refused to settle their accounts because of a discrepancy
- g) Guaranteed reservation accounts for billing and tracking no show guests
- h) House accounts for non- guest businesses and promotional activities
- i) Late charge accounts for guests who checked out before some charges were posted to their accounts
- j) House accounts for non-guest business and promotional activities

- In order to receive all their city ledger accounts, hotels shall devise effective and efficient account receivables billing procedures. To do so, every property shall try to find answers to the following questions:

- a) When are outstanding accounts balances payable?
- b) How many days shall separate each two consecutive invoices?
- c) How to contact the departed guests whose accounts is not yet paid?

- After coming with answers to the above mentioned questions, hotels, then, shall depending on the amount of money to be collected, and the geographical distance that separates the hotel from the guest billing address, opt for one of the following collection schedules:

- a) Aggressive (short cycle) collection schedule
- b) Lenient (long cycle) collection schedule

Account aging:

- Account aging refers to the method(s) of tracking past due accounts based on the dates the charges were incurred. To illustrate, credit card payment accounts usually have ages of maximum one month. However, some other non-guest accounts (ex. late charges, disputed bills, bad checks and skippers accounts)

might have ages measured in months, and even years. Below, is the terminology associated with each account age:

• Less than 30 days accounts	⇒ Current Accounts
• More than 30 days accounts	⇒ Overdue Accounts
• Older than 90 days accounts	⇒ Delinquent Accounts

Front Office Records:

- The major two front office records that are stored at departure are guest history records (which are stored alphabetically) and guest folios (stored numerically)

Guest History Records:

- Guest history records are collections of personal & financial data about guests who have stayed at the hotel. Maintaining guest history records helps the hotel better understand its clientele and determine guest trends when they develop. Moreover, these very records might serve as a source of mailing list or to identify guest characteristics that are important to strategic marketing. In addition, they serve to develop and place advertisements that appeal to the types of clientele the hotel attempts to attract. Finally, guest history records point out the need for a new, supplementary, or enhanced services.
- Moreover, even though guest history records are stored in the front office department, they are handed to marketing department, whenever needed. In fact, marketing department might make use of guest history records to create a program to reward frequent guests with a free stay after a certain number of visits, or as an indicator to watch out for future repeat guest reservations in order to increase the hotel's repeat business market share.
- Guests tend to remember the friendliness, convenience, and special services that distinguishes one property from another. This is called competitive advantage.