

## ACCOUNTING FUNDAMENTALS

**CITY LEDGER :** City ledger records accounts that do not belong to resident guest of the hotel. At the checkout time if the resident's guest's account is not brought to a net outstanding of zero then whatever amount is outstanding balance, the same amount is transferred from guest ledger to city ledger. Guest holding creditcards and guest whose bills have to be forwarded to companies, airlines, travel agents, government departments are also recorded in city ledger accounts. In other words, city ledger is a debitor's ledger. The account in such cases will be closed at the time of payment or at the time of writing off the amount as bad debts. Apart from this the city ledger will also have a number of other accounts such as direct bills which means bills of those guests who have checked out without settling their bills because the instructions about them is that bill is to be sent to the guest's company account.

**CASH PAID OUTS :** Cash advances made on behalf of the guest by the hotel are debits and their net result on guest account balance will be an increase in balance while any payment made by the guest to the hotels are credits which will decrease the balance payable by the guest. A paid out voucher indicating the amount, name and room number, date and description will be duly completed.

**PAID OUT TO CHECK-OUTS :** Sometimes the hotel owes to the guest at the time of check-out. For example, sometimes the guest may pay a large sum of rupees as advance at the time of arrival or at the time of booking and there may be a credit balance at the time of departure. In order to zero out the credit balance of the account a debit charge entry is required at check-out. A cash advance voucher is prepared for guest signature of the amount of the credit balance. An entry is made on the disbursement side of the cash sheet, posted to the folio as cash advance and account is balanced.

**BANK :** In hotels, a permanent supply of cash called bank is given to the cashier of each point of sale such as bar, restaurant etc. The amount varies from shift to shift and depends on position of cashier i.e. at the bar or restaurant or swimming pool etc. All petty cash payments like visitors paid outs etc. are made by the cashier from this amount. At the end of the day the amount spent by the cashier, against signed voucher, is replenished so that at the beginning of next day the petty cash or bank amount is same.

**NET RECEIPTS :** This term refers to the difference between what the cashier took in and what was paid out i.e. to say that from the figure of total receipts (city and transient), the total figure of advances (city and transient) is subtracted and the difference so obtained is called net receipt. For example, if the total receipt is Rs7800 and total paid outs are Rs3400 then net receipt shall be  $\text{Rs}7800 - \text{Rs}3400 = \text{Rs}4400$ .

**OVER AND SHORT :** The term over and short means what is in more and what is in less from what it should be at close of the day. In other words, it is the difference between what the cashier should have in the cash drawer and what is actually there. It is a comparison of mathematical computation and physical count of money. Over means extra amount deposited in the vault and short means the less amount deposited in the hotel vault by the departmental cashier. The overage is caused when the amount of cash and cheques in drawer is more than net cash receipt and shortage are caused when the amount of cash and cheques in drawer is less than net cash receipt.

For example, let us say for a particular day the cashier,

Should have on hand		Dose have on hand	
Bank	Rs 2000	Cheques	Rs 9870
Net receipt	Rs 13500	Currency	Rs 4780
Total	Rs 15500	coins	Rs 810
		Total	Rs 15450

Now we notice the figure of "should have on hand" is more than what he "Dose have on hand" by Rs40/- which means there is a shortage of Rs40/-.

**TURN IN :** Each cashier begins the shift of each day with an exact amount of bank and everything in excess of bank is turned into the accounting officer at the close of the day. Turn in involves every type of non-negotiable money including cheques, travellers cheque foreign exchange, cash in poor conditions and vouchers for house expenses. If the total of all these items is less than the net receipts of the day, enough cash is added to clear the drawer of all funds except the original bank. Since the cashier always retains the exact bank, the turn in includes overages or allows for shortage.

**DUE BANK :** Also called as due back. When the net receipt of the day is less than the amount turned in, the difference between the two is due bank and the amount is given to the cashier to bring the bank back to the required level.

**REFUNDING THE DUE BANK :** Daily bank deposit comprises of yesterday's net receipt plus or minus overage or shortage. Front officer cashiers often turn in more than their net-receipt plus or minus overages and shortages. this due bank is not for deposit but must be returned to the cashier After each of the cash report and envelope has been verified, the general cashier refunds the excess to the front office cashiers. These funds are taken from the cash turn-in provided by the department cashiers.

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