

STANDARD OPERATING PROCEDURE	CODE: AP - 001		PAGE: 1 of 5
	EFFECTIVE:		UPDATE NO.:
	INITIATED BY: PRIMA CONSULTANT CO., LTD.		DEPT./SECTION:
	REVIEWED BY:		
	APPROVED BY:		
	SUBJECT:	ACCOUNTS PAYABLE	

OBJECTIVE:

To ensure that only valid and authorized payables are recorded and paid and that accounting procedures are implemented to ensure the accuracy of amounts, coding of General Ledger accounts and appropriate timing of payments

POLICY

1. For accuracy and timeliness of data, a liability must be recorded as soon as the purchased item is received.
When the vendor's invoice is received, the actual liability will be finalized with any necessary adjustments to the item costs, freight or other charges.
2. A record of summary balances that are owed to each creditor including the length of time that such amounts have been due, must be maintained and reviewed at least on a monthly basis by the Financial Controller.
3. Amounts owed should be paid in a way that is financially to the greatest benefit to the hotel, while at the same time not creating unnecessary bad relations with creditors and within the creditor trading terms.

PROCEDURE

I- Documenting Accounts Payable

1. The following documents will be forwarded to accounts payable for temporary filing and subsequent matching to form an accounts payable voucher package:
 - Purchase order and purchase requisition
 - Delivery slip and receiving report
 - Vendor invoice
2. Once Accounts Payable has received all of the above documents, the following steps will be performed to ensure proper authorization, validity of purchased items or services and accuracy of amounts, and correctness of the payable to the vendors record.
 - The vendor invoice will be stapled on top of the receiving report and delivery

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slip followed by the purchase order and purchase requisition.

- The purchase order should be evaluated for proper authorization and the nature of the purchase and pricing as shown on the invoice reviewed for validity.
- The quantities shown delivered on the invoice will be compared to the receiving reports. Any discrepancies must be followed-up and resolved prior to commencing with the voucher process.
- Calculations on the invoice will be recomputed (i.e. quantities received multiplied by unit price and totals).
- Correctness of the payable to the vendor's record will be checked with the matched documentation received.

II- Recording merchandise/non-merchandise payable

1. In most cases, the receiving record has been performed prior to receiving the vendor's invoice. But at this stage, most accounting systems record a "Goods received without invoice". This is a pro-forma invoice created by the accounting system, using the costs from the purchase order.
2. Upon receipt, the actual vendor's invoice is compared to the "Goods received without invoice" already recorded in the accounting system. This is the final comparison for accounts payable accuracy. The vendor's prices or discounts may vary from the purchase order, or the vendor's quantities may vary from the actual quantity received per the receiving report, or other variances may exist in freight and other charges. All discrepancies must be resolved immediately and the correct amount owed recorded in the accounting system. In case a complete matching of Invoice and "Goods received without invoice" the original invoice will be files to supporting documents.
3. Non-merchandise expenditures like utilities, rent, taxes, repairs, professional fees, etc. are generally not recorded through the purchase order/receiving routine. However, there may be other documentation, like contracts and other agreements. These should be filed in the applicable vendor file as documentary support. Upon receipt of the invoice, the charges should be entered into the payable system and coded to the appropriate expense account.

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- Once invoices (both merchandise and non-merchandise) have been entered, they must be filed in the respective vendor files, in date order.

III- Payment of accounts payable

- Accounts payables should normally be paid within their payment terms and/or through periodical payments (at month-end, or every fortnight). However, before paying, all invoices should be formally controlled and signed by each respective department head. This will ensure that the person responsible for the ordering of the good or service is aware that it has been provided and is satisfied with the amount charged.
- Any vendor credits which are amounts owed to the hotel for returns, price adjustments, etc. should be applied to amounts currently owed to the vendor when determining payment (Payment Proposal). These are normally received in the form of a credit memo or adjusting invoice and should be entered into the system like any other invoice and applied to the next payment being made..
- Every month end account payable will prepare payment proposal from the selected due-invoices of each vendor and send to Financial Controller for approval.
Accounts Payable will prepare or print a payment voucher and the cheques for the approved payment proposal to be paid.
He will pull all invoices to be paid from the files and match them with the printed cheques and all documents will be submitted to the Financial Controller and General Manager for review and signing.
- All cheques signed and approved must immediately be recorded in the accounting system (Debit Accounts Payable Credit Cheque Payable) and all invoices and attached documents must be stamped "paid" to prevent the risk of payment duplication. The paid invoices with all documents attached will be filed separately with all payments for the month.
- When cheque released to vendor the accounts payable must record as Debit
Cheque Payable Credit Bank and both updated in the system and Cheque payment

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register control book.

IV- Ageing creditors balance

1. It is Accounts Payable responsibility to keep all individual accounts up-to-date and maintain the subsidiary ledger (which records the payable amounts and payments made against each creditor). It shows against each creditor the individual amounts owed, aged in periods, and the amounts that the hotel has paid in the same periods.
2. At month-end, Accounts Payable must systematically print out from the payable system, the ageing accounts payable balance report (summary and detailed) to be used to support the creditors General Ledger account reconciliation and for creditors' account review.
3. A creditor meeting is to be held at least once a month and is based on a review of the ageing creditor balance summary report in term of
 - The status of aged accounts (over 60 days) and the reasons for the overdue situation
 - The reason of all disputed account balances
 - All issues related to the payments (holding cheques, incomplete documentation, etc.)The meeting must be attended by the General Manager, Financial Controller, Purchasing Manager and Accounts Payable.

V- Payment voucher (sample)

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Chief Accountant

Date

Financial Controller

Date

Director of Finance

Date