

STANDARD OPERATING PROCEDURE	CODE: AP - 002		PAGE: 1 of 3
	EFFECTIVE:		UPDATE NO.:
	INITIATED BY: PRIMA CONSULTANT CO., LTD.		DEPT./SECTION:
	REVIEWED BY:		
	APPROVED BY:		
	SUBJECT:	CHEQUE PAYMENT PROCEDURE	

OBJECTIVE:

To define policies and procedures for controlling the cheque payments and preventing any potential mishandling

POLICY:

1. Payments are to be made only against original invoices of purchases for the hotel, with supported and authorized documents.
2. Blank endorsement or in order of bearer is not permitted with all cheques to be crossed "Account payee only". Cheques that do not specify a payee or an amount are not to be signed by the signatories.
3. Any cheques not dispatched within 24 hours of being signed must be kept in safe custody by the General Cashier, pending collection by suppliers.

PROCEDURE:

1. When manual cheques are used (in comparison with printed cheques, directly generated by the payables system), the first element of control begins by using pre-numbered blank cheques and storing them in a secured area. The supply of cheque forms is to be controlled in safe custody by the Financial Controller or designated personnel, who is not involved in recording cheque transactions or preparation of Bank Reconciliation statements.
2. A cheque register must be maintained where all cheques whether used or cancelled, are accounted for in an unbroken numerical sequence to ensure that none are misused. This register should list next to the cheque numbers the applicable date, payee and amount, date released and other information if considered useful.
3. All cheques (computerized and manual) must be printed/issued and restrictively crossed (such as "A/C Payee Only" with the words "or bearer" deleted), preventing payment into accounts other than as stated on the

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cheque. Once signed and approved, all cheques must be correctly and immediately recorded in the accounting system and the cheque register.

4. The cheques must be made available to the supplier for payment as soon as possible once they have been posted and recorded as “paid” in the system. Cheques should not be held for additional days after posting. This practice usually occurs when there are insufficient cash flows. This practice of holding cheques increases the difficulty of projecting cash flow, reduces cash balance accuracy, and causes confusion when trying to reconcile accounts payable vendor balances. If the cash flow is insufficient, then the preparation of the cheques should be delayed rather than the timing of their release.

5. Undelivered cheques for more than one week must formally be investigated and reasons reviewed by the Financial Controller. Cheques which remain uncollected by the supplier after 12 months should be cancelled and written back into the bank balance. This will help to ensure that amounts that will not be paid are not carried as a cost to the hotel indefinitely, and will assist in preventing the misuse of old misplaced cheques. The Financial Controller will need to review written back amounts to decide:
 - Whether they still need to be provided for (if there is still the likelihood that the creditor will seek payment and the amount is significant), in which case an accrual may be set aside,
 - Or whether the benefit may be taken back by the hotel (where a request for payment is unlikely or where the cheque amounts are small), in which case a credit may be taken against the appropriate expense account.

6. All unused cheques should be adequately defaced to ensure that they cannot be used subsequently (by clearly marking them as cancelled in non-removable ink) while still being recognisable by their cheque number. They must be held in a secure location in order for future reference.

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Chief Accountant

Date

Financial Controller

Date

Director of Finance

Date