

STANDARD OPERATING PROCEDURE	CODE: GE - 001		PAGE: 1 of 2
	EFFECTIVE:		UPDATE NO.: 0
	INITIATED BY: PRIMA CONSULTANT CO., LTD.		DEPT./SECTION:
	REVIEWED BY:		
	APPROVED BY:		
	SUBJECT:		PREPAID EXPENSES

OBJECTIVE:

To ensure that the payment for future consumption are expenses periodically

POLICY:

In general, prepaid expenses represent payments for items, goods, or services that benefit future operating periods. Normally, the amounts are charged to operations based on when the benefits are received. Examples include, but are not limited to: insurance property taxes property assessments, dues and subscriptions, interest maintenance, and other similar items. Since prepaid expenses represent payments in advance for items, goods or service, and therefore have a financial impact on the available cash funds of the hotel careful consideration must be exercised before such expense is incurred. It is Hotel’s policy to adhere to standard acceptable accounting procedures in the recording procedures in the recording and expending of prepaid items.

PROCEDURE:

1. Expenses that benefit future operating periods are normally recorded in Prepaid accounts A worksheet is maintained for each expense and includes the following information;
 - The payee, explanation of the prepaid (e.g., annual maintenance contract, operating licenses, etc.), the amount paid, the months in which the expense is spread, the monthly expense, the year-to-date expense and the balance to be carried over to the next year applicable.
2. A copy of an invoice or billing must be filed in a Prepayment File for ease of reference. At the beginning of the year, items carried forward from a prior year must also be documented.
3. Expenses are applied in accordance with the term of the prepaid item (i.e., dues and subscriptions are expended in the months they benefit, etc.). At the

STANDARD OPERATING PROCEDURE	CODE: GE - 001		PAGE: 2 of 2
	EFFECTIVE:		UPDATE No.: 0
	INITIATED BY: PRIMA CONSULTANT CO., LTD.		DEPT./SECTION:
	REVIEWED BY:		
	APPROVED BY:		
	SUBJECT:	PREPAID EXPENSES	

end of each month, a journal entry is made to recognize a prepaid expense by debiting the applicable expense and crediting the prepaid on a reversing journal.

4. The following is a list of items that can be prepaid:
 - a. prepaid advertising
 - b. Prepaid Dues & Subscriptions
 - c. Prepaid Insurance
 - d. Prepaid Licenses & Permits
 - e. Prepaid Maintenance Contracts
 - f. Prepaid Property Taxes

5. All items coded to Prepaid must be approved by the Financial Controller. It is his/her responsibility to ensure that item coded to a prepaid account are appropriate and fully supported by backup in the prepayment file.

Chief Accountant

Date

Financial Controller

Date

Director of Finance

Date