

STANDARD OPERATING PROCEDURE	CODE: AR - 020		PAGE: 1 of 3
	EFFECTIVE:		UPDATE NO.: 0
	INITIATED BY: PRIMA CONSULTANT CO., LTD.		DEPT./SECTION:
	REVIEWED BY:		
	APPROVED BY:		
	SUBJECT:		BARTER AGREEMENT POLICY

OBJECTIVE:

To establish an acceptable and uniform accounting practice for recording and controlling barter agreements

POLICY

1. All barter agreements must be signed by the Managing Director and General Manager, clearly stating the value of exchange and the termination date.
2. All barter agreements must be recorded in the hotel accounts, thus properly recognizing the incomes and expenses derived from the barter agreement.

PROCEDURE

1. The usual barter agreement entered into by the hotel is for the exchange of room nights (or food & beverage services) for services received. The value of the exchange must be clearly stated in the agreement together with a clearly defined termination date.
2. Any barter agreement must be signed by the Managing Director and the General Manager. Once signed, copy of the agreement must be sent to the Credit/AR department for follow-up and filing.
3. Balance Sheet accounts must be reconciled monthly to ensure both parties are strictly following up the terms of the barter agreement. The Financial Controller is responsible to ensure a proper reconciliation is completed.
4. At the end of the term set in the agreement, any unutilized portion of the barter agreement will be lost and the Financial Controller must ensure that appropriate entries are made to clear the Balance Sheet accounts.

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5. Example for required accounting treatment:
The hotel agrees to allow a travel agent a credit of Baht 1000,000 in exchange for airline tickets to the same value, terminating at the end of the current year.

- Upon signature, the agreement is recorded as follows:

Debit AR - Barter agreement	100,000	
Credit AP – Barter Agreement		100,000

- The following month, the agent uses the hotel and checks out leaving a bill of Baht1,000. This bill is recorded to hotel’s revenue and to the City ledger as usual and then a journal entry is recorded while AR rebate Voucher will be used as follows:

AP – Barter Agreement	1,000	
Accounts Receivable - City ledger		1,000

And Vat output should be recorded from

Debit Vat Suspense	70	
Credit VAT output		70

- The hotel orders tickets against the barter to the value of Baht 2,000 for a sales trip. The journal entry is recorded as follows:

S&M – Traveling expenses	2,000	
AR - Barter agreement		2,000

- At the end of contract the balance of AP – Barter Agreement will be credited to other income and the balance on the AR – Barter Agreement debited to traveling expense.

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Chief Accountant

Date

Financial Controller

Date

Director of Finance

Date