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IMPROVING OPERATIONAL EFFICIENCY OF GUYSTAC

DP/GUY/86/008

GUYANA

Technical report: Financial and accounting system in  
Guyana Airways Corporation \*

Prepared for the Government of the Republic of Guyana  
by the United Nations Industrial Development Organization,  
acting as executing agency for the United Nations Development Programme

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\* This document has not been edited.

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## INTRODUCTION

This Project Report under UNIDO Programme on Financial and Accounting System in Guyana Airways Corporation is divided into four parts as under :

- (i) Study of Financial and Accounting System in Guyana Airways Corporation along with recommendations.
  - (ii) Revenue Accounting Manual for knowledge and guidance of staff.
  - (iii) Training material on Proration and Ticketing.
  - (iv) Computerisation of Revenue Accounts.
- (1) STUDY OF FINANCIAL AND ACCOUNTING SYSTEM IN GUYANA AIRWAYS CORPORATION :

Accounting practices which need revision have been enlisted in this part along with comments and recommendations. Other recommendations relevant to accounting matters have also been incorporated. The suggestions can be implemented without causing any disruption to the present work schedule. Moreover, the existing staff strength has been kept in mind to ensure no extra staff are required to implement the improved system.

The author is very confident that the improved system will lead to generation of prompt and accurate management information which is very vital for prompt management decisions and for reporting to various agencies. The improved system would also minimise chances of fraud.

Some of the suggestions may appear unnecessary due to small volume of transactions but introduction of a proper system as per established procedure will ensure not only smooth flow of work but will also cater to future expansion.

(2) REVENUE ACCOUNTING MANUAL :

During the course of many discussions with staff, the author felt their knowledge is confined to their own desk work. Overall knowledge of revenue accounting and also other international airline practices, is lacking. To discharge one's duties adequately and effectively, overall knowledge of revenue accounting is very essential.

Revenue Accounting Manual for use of staff has been prepared wherein from Chapter I to Chapter XI, all the important revenue aspects have been incorporated. Copies of this manual should be circulated to all accounts staff,

pecially staff in revenue accounts for their knowledge and guidance. Needless to add, any manual requires updating from time to time to incorporate current data and as such, this manual would need revision periodically.

Due to shortage of time, it has not been possible to prepare a handbook on Expenditure Accounting. However, it is recommended that a handbook on Expenditure Accounting be prepared by someone who is fully conversant with all aspects of expenditure accounting system in Guyana Airways.

(3) TRAINING MATERIAL ON PRORATION AND TICKETING :

During 1989, two very major changes took place in the airline industry affecting ticketing and proration rules which are closely connected to revenue accounts. Revenue Accounts staff at Timehri was briefed regarding these changes and their effect on working of an airline. Training material has also been prepared and given to them which contains five chapters dealing with the changes and their background, definitions of important terms, proration and ticketing rules with examples.

The training material is not only useful to the personnel of Accounts department but is equally useful for the staff of Commercial department.

4) COMPUTERISATION OF REVENUE ACCOUNTS :

Objective to computerise revenue accounts should be not only to obtain the existing manual statements in computerised format but more important, to generate additional management information accurately and promptly. With this in view, many additional management information computer outputs have been recommended without involving extra data entry efforts. These suggestions were conveyed in February to ACE Computer and Electronics GUY Ltd., for incorporation while preparing the software programme. Till the date of writing this report, software programme has not been delivered by the Company, though it was expected to be received latest by March 31, 1990. As such it has not been possible to test successful implementation of revenue accounting system.

Two important aspects of computerisation have to be stressed here. First, it is very important to have a time bound schedule to input data to ensure that the outputs are received within stipulated date. Without a time bound schedule, the outputs can be delayed longer than under the manual system. Second, establishing control totals for input and output data is very essential to ensure accuracy of computer generated data.

In conclusion the author would like to express his sincere thanks to Mr. Guy Spence, GAC, Gen. Manager and other officers and staff who extended their cooperation during this project. Above all, to Captain Bose without whose guidance and encouragement, this project would not have been possible.

PART I

SYSTEM STUDY AND RECOMMENDATIONS

RECEIPT, ISSUE AND CONTROL OF REVENUE DOCUMENTS

I. INDENT FOR REVENUE DOCUMENTS

EXISTING SYSTEM : Accounts Department is responsible for arranging printing and supply of revenue documents to stations. Finance Manager receives indents from the various outstations and agents, booking offices and other units regarding their requirement of the tickets/Excess Baggage Tickets, MCO's, AWB etc. The printing of the tickets is arranged through Manager, Miami.

COMMENTS: The existing system of indenting revenue documents on ad hoc basis is not cost-effective and is not conducive to proper planning regarding overall requirement of the documents on yearly basis.

RECOMMENDATION :

- i) Various units requiring documents may be advised to assess their requirement for the ensuing year beginning January and submit the same to the Finance Manager by the end of November.
- ii) The requirement for the revenue documents may be indicated separately for each half year (January to June and July to December) taking note of the stock available with them.



- iii) The requirement for the first half year should be despatched and before sending the requirement for second half year subsequently, the exact requirement for second half may be reviewed depending on the stock available with them.
- iv) Outstations should be informed in advance of the quantity and serial number of documents being despatched.
- v) Acknowledgements in writing must always be obtained from station and agents confirming receipt of exact quantity and serial number received by them.

2. CUSTODY OF DOCUMENTS :

EXISTING SYSTEM: Accounts Department is responsible for safe custody of revenue documents. On receipt of consignment from Miami, Finance Manager has to check whether the quantity and serial number tally with the advice from Miami and then to acknowledge receipt. The bulk stock is kept in a safe on the ground floor of the Main Office at Main Street and the quantity required for current use only is kept in a cupboard in the Accounts Department at the first floor. A stock record is maintained in the register as per the following format:

<u>Date</u>	<u>Receipt</u>	<u>Inv. No.</u>	<u>Issues</u>	<u>IR No.</u>	<u>Quantity</u>	<u>Recd By</u>	<u>Issued By</u>	<u>Date Issued</u>	<u>Location</u>	<u>Balance</u>
-------------	----------------	-----------------	---------------	---------------	-----------------	----------------	------------------	--------------------	-----------------	----------------

The Accounts Clerk who makes entry into the stock register also has access to the ticket stock which is kept in the cupboard. The physical stock is verified by internal audit periodically. At Revenue Division at Timehri, one register, similar to the one maintained at Main Office is kept and another register is maintained to record issues at Timehri office.

COMMENTS:

The system of keeping the bulk stock in the safe is a good system and it should be ensured that only minimum stock required is kept in the cupboard at the 1st floor. However, in airline industry, revenue document stock is a 'liquid asset' and as such access to the stock should be limited only to responsible persons. Further, being the custodian of the revenue documents, the responsibility of the Finance Manager to ensure that the physical stock tallies with the balance shown in the stock register is primary and audit check, though very important is secondary. The stock register does not provide for writing individual ticket numbers on the receipt side and the total quantity received.

RECOMMENDATIONS:

- i. Access to the revenue documents should be restricted to Finance Manager and to the Superintendent. Alternatively, physical handling of revenue documents by a clerk should be done strictly under supervision of a Superintendent.
- ii. Finance Manager should physically verify the stock at least once every month and a column should be provided at the end for initials of the Finance Manager.
- iii. For the purpose of clarity, under the column receipt, provision should be made for writing from - to and an additional column should be provided for writing quantity which is received.

3. ISSUANCE OF DOCUMENTS

EXISTING SYSTEM:

A written requisition as per format has to be obtained from reporting agents and other offices before supply of revenue documents to them. Normally, the agents are also indicating the stock of revenue documents held by them at the time of sending the requisition. Acknowledgement is obtained in the stock register and on requisition form at the time of effecting the delivery of revenue documents. Outstations indent for revenue documents by telex and acknowledgement from the stations is obtained in due course.

COMMENTS:

While Accounts Department is responsible for safe custody of revenue documents, Commercial Department is responsible for approving the agents who can hold revenue documents stock and for monitoring their sale output. Under the existing system, Accounts Department has to rely totally on declaration of the agents regarding the revenue document stock held by them and has no way to independently verify their statement.

RECOMMENDATION:

- i. The requisition by agents for revenue documents should be routed through Commercial Department and the revenue document stock to the agents should be issued only after a senior officer in the Commercial Department has approved the requisition. This would also help the Commercial Department to monitor the movement

of revenue documents to various agents, thereby giving indication of their productivity.

- ii. Document Utilisation Control Register should be maintained at Main Office wherein posting at the time of supply of documents and also on receipt of auditors coupons along with Sales Reports should be done promptly. This would help Accounts Department to readily know which agency is holding how much revenue documents before supplying fresh stock of revenue documents.

#### 4. DOCUMENTS UTILISATION CONTROL

##### EXISTING SYSTEM:

In addition to the Stock Register of revenue documents mentioned in the foregoing paragraphs, a sheet listing no. from 1 to 100 is maintained at Timhri Revenue Divisions. On receipt of sale reports, the revenue document reported sold are noted in the sheet from one to hundred of a particular serial and group of tickets reported sold are blocked and reference of the sale report and agency is noted against each. Any missing number is noted and investigated.

##### COMMENTS:

It is the responsibility of the Accounts Department to ensure that revenue documents supplied to the agents, booking office, airport office etc. are duly accounted for and there are no omissions. For this purpose it is essential to maintain Document Utilisation Control Register Agentwise, for Booking Office and Airport office separately (recommended in earlier paragraph) The present system of controlling utilisation of revenue documents is lax and does not readily give the

position of the revenue documents held by the various agencies.

**RECOMMENDATIONS:**

- i. The Finance Manager should periodically check the Document Utilisation Control Register and any agent who is holding stock without utilising them for a long period should be recommended to the Commercial Department for withdrawal of stock.
- ii. Any break in series of tickets noted while posting in the register should be brought to the notice of the agent, booking office, station as the case may be for immediate investigation.
- iii. No agent should be allowed to have unduly large stock which is not commensurate with the volume of business generated by the agents.

5. **DESTRUCTION OF OBSOLETE STOCK**

From time to time certain series of revenue documents become unfit for use due to change in regulations format etc. regarding which intimation is given by Commercial Department to all concerned. When such intimation is received, Accounts is required to call back from Agents, Airport and Booking Office all such unutilised documents, make an inventory and arrange for destruction of the same under intimation to Commercial Department, Security and all others concerned.

The procedure followed at Guyana Airways for destruction of obsolete stock is not clear. However, it is learnt that some obsolete stock is pending for destruction for quite some time. It is recommended that after following the proper procedure, the obsolete stock should be destroyed forthwith.

Being Handling Agent, revenue document stock of B.W.I.A, Cubana, LIAT and Aeropostal is also maintained by Guyana Airways. All necessary steps for document control as recommended must also be followed in respect of other carriers' documents.

#### CONCLUSION:

Most of the airlines in the industry are suffering heavy losses every year due to loss of revenue documents every year which are eventually misutilised. Revenue documents are equivalent to 'cash' in the airline industry and hence a proper and foolproof control on receipt, issue and control of revenue documents is absolutely essential for any airline.

#### ACCOUNTING OF REVENUE DOCUMENTS

##### 6. Reporting of Sales by GAC offices

###### Existing System

The various booking offices of GAC in Guyana and at foreign station are reporting sale of revenue documents as per a prescribed format called 'Agencies Report.' The format is as per Annexure I.

###### Comments

The format seems to be outdated and needs revision. Stage 1 and 3 tickets and MCO's are no longer in use and in any case prefix to

a ticket number indicates whether the documents is 2 stage or 4 stage. Separate columns for each stage therefore is unnecessary now. Some of the columns on the report are not used at all and appear unnecessary viz Tour Order XO column and credit value ( for credit cards ) column. There is no provision for showing the receipt number which is invariably mentioned against the documents. At present, staff are using wrong columns for filling receipt details etc.

### Recommendation

It is therefore recommended, a new format may be designed to delete unnecessary columns and to incorporate new columns in the sales report as per present requirements. Suggested format is as per Annexure II. Since the agents are required to submit their sales reports as per a different format, the heading of this report as Agencies Report appear to be a misnomer. The report may suitably be headed to call 'Booking office sales report'.

## 7. Reporting of sale by agents in Guyana

### Existing System

The agents in Guyana who have been given revenue document stock are required to report their sale fortnightly i.e. from 1st to the 15th of a month and from 16th to 30th/31st of a month. The sales report along with amount must be received within a week from the end of the period of sale.

Comments

It is observed from GAC records that the agents are defaulting frequently as regards time limits for payment of their dues is concerned.

A delay of a few weeks has been noticed in a few cases. For cash flow and financial discipline, it is very important to ensure that the agents pay their dues to GAC within stipulated period. Moreover, delay in receipt of the Passenger Sales Report can also result in delay for payment of Travel Tax to Commissioner of Inland Revenue for which fine is levied by C.I.R.

Recommendation

- i. On the next day after expiry of the due date, a list of agents who have not submitted their report and have not paid it in time should be put up to the Finance Manager.
- ii. Telephone reminders should be made to the agents to pay their dues.
- iii. In case default is of persistent nature, written reminder should be sent to the agent.
- iv. If amount is not received within three/four days after the due date, Finance Manager should write to Commercial Manager giving list of the defaulting agents with a copy to the General Manager.



8. Reporting of sale by the G.S.A.

Existing System

GAC has a GSA in Toronto viz. Stafford Travel (1985) Limited. The sale by the agent is reported as per the same format of Passenger Sales Report which is used by other agents in Guyana.

Comments

A study of a few sales reports received at Timehri from the GSA show that the reports were received bunched up in February this year pertaining to the last year transactions. It appears that the sales reports are not received regularly from the GSA at Toronto. The date of collection of cash and cheque and banking of same show major discrepancies as regards the date and even the amounts collected and banked are difficult to reconcile from the available records at Timehri. It is also difficult to establish the amount of commission charged by the GSA and the percentage of commission which is allowed to the other agents in Toronto.

Recommendation

Necessary steps should be taken immediately to regularise receipt of sales reports from the GSA at Toronto and documents support must clearly indicate the revenue collection made and banked, duly supported by bank-pay-in slip acknowledged by Bank. It should also be ensured that only overriding commission is paid to the GSA in respect of the documents which are issued by other agents in Toronto.

9. Agency Commission to Agents

Existing System

At present agents in Guyana are paid commission on basic fare as under -

<u>Name of Agent</u>	<u>% Commission</u>
G.N.S.C.	6.5
Kaitur	6.5
Jim Bacchus	6.5
Sunjet	6.5
Frandec	6.5
Weiting & Richter	6.5
G.N.T.S.	9.0 (for Miami sales)
G.N.T.S.	12.0 (for New York sales)

An agent in New York PAPO's is also given ticket stock for which he is paid 9% commission.

10. Revenue Collection and Banking

Bank Account

Existing System

GAC in Georgetown has banking facilities with GNCB, G.P.O. Branch and NBIC, Main Branch. Day to day revenue collection is deposited in these two accounts - normally cheques are deposited in GNCB and cash is deposited with NBIC. Expenditure of the Corporation is met through these accounts and refunds are also effected from these two bank accounts. In the cash book, one column for bank account is

maintained and cheques for both the bank accounts are entered through the same column.

### Comments

This system of maintaining bank accounts is unsatisfactory since both revenue and expenditure transactions get mixed up thereby affecting individual control of the respective transactions.

Separate control for revenue and expenditure transactions is lost which is very essential for proper check and balance system especially when dealing with cash. Bank Reconciliation can also pose problems at a later date if it is not done on a regular basis. Revenue and expenditure transactions are dealt by separate set of staff and respective statement serves specific purpose. Refunds should also be treated as a separate transaction and should not be mixed up with other expenditure accounts.

### Recommendation

Keeping in mind the nature of various transactions, three separate accounts should be maintained - preferably with the same branch of the same Bank.

#### (a) Collection Account

For purpose of depositing only revenue collections on day to day basis.

Suggested format for bank reconciliation of collection account is as per Annex III.

(b) Expenditure Account

To meet day to day expenditure of the Corporation. Depending on need, periodic transfer from Collection Account to Expenditure Account be made to meet the expenditure.

(c) Refund Account

In order to issue cheques in favour of passengers to return the money towards unutilised tickets surrendered to GAC for refund. To meet the cost of the refund cheques, depending on the actual need, periodic transfer should be made from the Collection Account. Suggested Format for bank reconciliation of Refund Account is as per Annexure IV.

Even if account is maintained with two separate Banks, the cash book should show separate columns for the different Bank Accounts to clearly show receipts and expenditure transactions of the individual Bank Accounts. This is absolutely essential for the sake of clarity and control.

11. Statement of Receipts

Existing System

A daily statement of receipts is prepared by the Credit Control Section wherein all the receipts issued during a day to the Booking office Staff and other parties is summarised. The amount lodged with the Bank must tally with the collection as per the statement of Receipts.

Comments

Preparation of daily statement of Receipts is a good system to ensure that all collection for the day is banked. However, it is observed that follow-up action to ensure that the acknowledgement of cash/cheque by the Bank is as per the statement of Receipt is not done properly.

Recommendation

It is recommended that for effective control of cash and cheques, a monthly cash and bank statement should be prepared. A monthly summary of statement of Receipts should be prepared and attached along with the cash and bank statement.

The format of monthly cash and bank statement can be as under:

CASH AND BANK STATEMENT

Month:

A. Opening Balance

Cash and cheques on hand  
a per previous month's  
statement, if any .....

Add: Collection as per  
summary of statement  
of Receipts .....

Total

\_\_\_\_\_  
\_\_\_\_\_

B. Amount banked during the month (as per bank acknowledgements attached) .....	
Cash and cheques on hand .....	
	_____
Total	_____

Note: Total of A and B should tally.

Preparation of the above Cash and Bank monthly statement every month will ensure control over lodgements of revenue collection. In view of the fact that revenue collection is done at Night Depository every day, this control is absolutely essential to detect any shortfall between the actual banking of revenue collection and acknowledgement of the same by the Bank.

12. Bank Reconciliation Statement

Existing System

At present the Bank Account under reconciliation are GNCR for March, 1988 and NBIC for February, 1989.

Comments

As can be noted, bank reconciliation is lagging far behind. Bank Reconciliation has to be done on month to month basis immediately after end of the month. A delay in reconciliation of bank accounts delays preparation of annual accounts and makes timely detection of mistakes/frauds difficult.

**Recommendation**

- i) It is imperative that a time bound schedule be drawn for bringing bank reconciliation up to date.
- ii) It should be ensured that bank reconciliation is done on a month to month basis without unreasonable delay.
- iii) As recommended in para 10, opening of three separate accounts for revenue, expenditure and refund transactions should help in making bank reconciliation much easier.
- iv) Bank Reconciliation statement for foreign stations should be decentralised and the foreign stations may be advised to send bank reconciliation every month.

**CREDIT CONTROL**

13. **Accounting of credit transactions**

**Existing System**

Credit transactions, duly approved by the Credit Contoller are keyed in from the Journal Vouchers for debiting the respective credit parties in the ledger. On receipt of payment, the credits are posted in the ledger through computer from the Journal Vouchers. At Timehri accounts, a spreadsheet is prepared every month to note the credit transactions and corresponding invoicing details.

**Comments**

The system of maintaining a monthly spreadsheet to match invoicing details with credit transactions extracted from the sales reports is

a good system since it ensures raising of invoice for every credit transaction. However, a system to reconcile sundry debtors at the beginning of a month and at the end of the month of control purposes is non-existent.

**Recommendation**

It is recommended that a monthly statement of credit transactions should be prepared as per the following format -

**Monthly Reconciliation of Debtors' Control Account**

	Month .....
Opening Balance of Sundry Debtors	.....
Add: Charge Sales during the month (as per details attached)	.....
	_____
Total	_____
Less: Recoveries made during the month (as per details attached)	
Sundry Debtors at the end of the month	_____

**Note:** The figure of Sundry Debtors at the end of the month above must tally with Sundry Debtors as per the balance in the ledger.



14. Invoicing

Existing System

At Timehri Accounts, invoices are prepared and sent to Credit Controller for onward submission to credit parties. At Main Office, JV's are keyed in for posting of ledger and covering memos are prepared for submission of the invoices to the credit parties.

Comments

Due to non-availability of the punch operators, JV's from the month of October, 1989 have not been keyed in. As a result, the covering memos for invoices from October, 1989 onwards have not been prepared, and invoices to the Credit Parties have not been despatched thereby granting unduly large period of credit. A delay in timely invoicing can also affect the recovery process. Besides cash flow position of the Corporation is also affected due to late recovery of the dues.

Recommendation

It is recommended that on receipt of invoices from Timehri Accounts, the invoices should be dispatched to the credit parties without delay. The covering memos should be prepared on a typewriter to prevent delay in dispatch due to late key-in of vouchers.

15. Follow-up recoveries

Existing System

The present system for follow-up of recoveries is not systematic and appears inadequate.

Comments

A proper follow-up system for recoveries of the Corporation dues is absolutely essential. In absence of same, cash flow position gets adversely affected and with passage of time, the debts can become doubtful and even bad for recovery.

Recommendation

- i) On invoices sent to the credit parties, a limit of say 30 days should be prescribed within which the party may be advised to settle the invoice.
- ii) If payment is not received within 30 days, two reminders, at an interval of 15 days should be sent to the credit parties.
- iii) A list of credit parties who have not paid for over two months, along with details viz. the date, amount of invoice etc., should be put up to the Commercial Manager with a copy to the General Manager.
- iv) Credit facilities may be reviewed and if necessary stopped in respect of parties who default persistently.

16. Agewise analysis of Sundry Debtors

Existing System

Agewise break up of Sundry Debtors is prepared as on 31st December of a year i.e. at the time of preparation of annual accounts.

### Comments

Agewise analysis is required to be prepared more frequently for effective credit control. Moreover if preparation of annual accounts is delayed, by the time agewise analysis is prepared, it is likely to be outdated.

### Recommendation

It is recommended that agewise analysis - giving break up of debts of 60 days and 6 months, 6 months and one year, one to two years, and over two years should be prepared quarterly. The reasons for debts which are due for a period over a year should be listed and effective follow up undertaken. Further, the list of Sundry Debtors should be gone through thoroughly to remove debtors which have paid but are pending for adjustment, for debts which are too old and bad for recovery. In other words, Sundry Debtors list should be pruned to reflect the current debts which are good for follow up and recovery.

## ACCOUNTING OF REFUND

### 17. Processing of Refund

#### Existing System

The calculations for refunds are made by the Booking office. Refund claims are subsequently sent to Timehri for checking the calculations and other details. After due processing of claims, the amount is refunded by cheque at the Main Office.

**Comments**

The system of calculation of refunds and subsequent checking by Timehri accounts is a good system. However, for control purpose, it is essential to prepare a monthly statement of the refunds effected during the month.

**Recommendation**

- i) A monthly statement showing total refunds effected during the month should be prepared.
- ii) The total amount of refund should tally with the debits in the bank account towards refund. For outstanding cheques, a reconciliation may also be prepared. A separate bank account for refunds will facilitate this reconciliation.
- iii) A separate statement for Refund Orders or Credit Advice issued in lieu of cash refunds must also be prepared.
- iv) For Refunds Claims which have been pending for over 45 days a monthly statement should be prepared listing out such pending cases along with reasons for non settlement of the same in the remarks column.

18. **Refund on Lost Tickets**

**Existing System**

In case of refund claim against lost documents, an indemnity is obtained from the passenger and after a waiting period of 90 days refund is affected.

Comments

It is observed that during 90 days, as per the existing system, there is no way to check if the document claimed as lost was actually used for travel or not. The status of the claim does not undergo much verification except at Timehri Accounts, where the documents for the day of travel for which the passenger was confirmed are checked to detect utilisation if any.

Recommendation

While under the present system it is difficult to detect if the ticket was actually used for travel before effecting the refund, under the proposed computerisation of revenue accounts, a monthwise listing of all the coupons for travel would enable checking actual travel in case of refund claims lodged for lost tickets. The document declared lost should also be blacklisted to prevent misuse of the same by an unauthorised person.

ACCOUNTING OF EXPENDITURE

19. Expenditure Vouchers

Existing System

The expenditure vouchers at Guyana are signed by Expenditure Accountant and are put up to Finance Manager along with cheques for signature. The cheques are required to be signed by two authorised signatories-

one of whom has to be from accounts. At foreign outstations the vouchers are not signed by anyone. Invoices for some of the goods purchased are filed in a separate file. Allocation for the head of accounts to which the expenditure is to be debited is coded separately for ledger postings.

### Comments

A study of vouchers revealed that necessary details as regards month of payment etc., are not mentioned in all cases. Separate filing of document support is also objectionable from audit point of view. Sequential number of vouchers is either not strictly maintained or the vouchers are missing from the files. Non signing of vouchers at foreign stations is also objectionable from audit point. It was also observed that expenditure pertaining to previous year has been debited to current year.

### Recommendation

It is suggested that:

- i) All document supports must be attached along with payment vouchers. If necessary, photocopies may be filed separately.
- ii) All the details regarding the month and nature of payment should be clearly mentioned on the vouchers at the time of payment. At a later date it becomes difficult to locate details.

- iii) All the vouchers must be filed sequentially. In case of a cancelled voucher, appropriate 'cancellation' should be made and voucher should be retained in the file as per its sequence number (unless it is cancelled and immediately substituted with a fresh voucher of the same number).
- iv) The vouchers at foreign stations must also be signed by a Supervisor who should not be a signatory to the cheques.
- v) In respect of expenditure not paid during the same financial year, respective account heads should be debited with estimates and 'outstanding liability' account should be credited for annual accounts. On payment of amount in the subsequent years, 'Outstanding Liability' account should be debited to correctly record expenditure for respective years. The vouchers on receipt should be screened by the Expenditure Accountant for discrepancies and not left for internal audit to do so as is the case at present.

20. Posting of voucher in Ledger

Existing System

Various payment vouchers of Guyana offices and outstations are coded for debiting to the appropriate account heads. A handbook is available in which the various heads of accounts along with their respective code numbers have been given. The vouchers are subsequently keyed in on a monthly basis for posting various account heads.

### Comments

The computer aided system is good but at present in May, 1990, the ledger posting has been done only upto September, 1989 presumably due to lack of punch operator. As in case of invoices on credit parties which are pending since September, 1989 the ledger posting of various accounts is also affected. The main advantage of a computer is speed but in this case by not keying in data in time, preparation of accounting statements has been abnormally delayed and one gets the impression that if these jobs were to be done manually perhaps the records would, have been more up to date.

### Recommendation

The posting of JV's should be done on a time bound schedule i.e. JV's for say March, 1990 should be posted latest by May, 1990. For this purpose, more staff should be trained for data operation so that the work is not delayed in absence of only one punch operator.

## 21. Monthly Accounts vs Ledger Accounts

### Existing Systems

Monthly Profit and Loss is prepared as per the format prescribed by P.C.S. Since details of all the actual expenditure incurred and outstanding for payment, especially at foreign stations is not available at the time of preparation of monthly accounts, the accounts are prepared on estimate basis.



Comments

To have all the details at the time of preparation of monthly accounts may not be always possible, hence preparation of accounts on reasonably accurate estimates is understandable. The variance between actual and estimates should be in the region of 5 to 10%. However study of September, 1989 ledger accounts (the latest computer posted ledger accounts available) vis a vis the figures shown in the monthly accounts reveal abnormal variations. In major accounts viz. landing crew expenses etc., the variance is as much as three to four hundred percentage - the figures in the monthly accounts being more. This can be either due to expenditure incurred but not paid in time and hence not posted in the ledger or due to debiting of the expenditure in an inappropriate suspense account. Since 'year to date' column also shows huge variations, so many bills cannot remain unpaid for a long time and as such the latter seems to be the reason. It is understood that at the time of annual accounts, appropriation is done to post the accounts to their respective correct account heads. This would be unnecessary if the vouchers are correctly coded in the first place. Monthly ledger would also reflect a more correct picture of the various expenses which is the basic requirement of the accounts.

Recommendation

- i) Expenditure vouchers should be coded with utmost care to ensure that the debit is posted to the appropriate account thereby eliminating the need for appropriation at the time of annual accounts.

- ii) When the foreign stations advise the actual expenditure incurred at the end of the month, they should also advise separately the expenditure incurred during the month but not paid for along with expected date of payment to enable estimate expenditure for the monthly accounts more accurately.
- iii) Along with the monthly accounts, a schedule should be prepared wherein working should be shown for at least major expenditure viz. Fuel, Landing, Handling, Catering, Crew expenses, Insurance, devaluation etc., to justify the estimated calculations.
- iv) After posting of the ledger, a comparison of the expenditure shown in the ledger should be made with the expenditure shown in the monthly accounts and in cases where there are large variations, reconciliations should be done and appropriate rectification action should be taken to correctly reflect accounts.

22. Budget figures vs. Actual

Existing System

Expenditure for the year is budgeted and is broken down into separate head of accounts. The budgeted figures are indicated in the monthly accounts along with the actual estimated figures. Budgets are also prepared for stations separately.

Comments

September, 1989 Monthly Accounts reveal large variations between the budgeted figures and the actual figures. Invariably actual figures

are much less than the budgeted figures. There seems to be a need to exercise greater care while preparing revenue and expenditure budget especially in case of overheads. Stationwise breakup of expenditure budget could not be made available. For effective cost control, preparation of budget on realistic basis and close monitoring of actual expenditure vis a vis budget is very necessary.

### Recommendation

- i) Annual budget should be prepared very carefully with breakup for each station and for each month separately.
- ii) For major heads of expenditure viz. Landing, Handling, Fuel, Passenger catering, lease cost, maintenance cost etc., working sheets should be prepared and attached along with the budget papers to easily understand the reasons for variation with actuals at a later date.
- iii) The stations should be advised their respective expenditure budget figures and while advising monthly actual figures, the budgeted figures should also be advised by the stations. Every quarterly, the stations should submit a statement of actual and budget figures along with reasons for exceeding the budget figures especially in case of controllable expenditure viz. overtime, expenses on Motor Transport - fuel and oil, communication expenses, printing and stationery, general charges etc. In other words with a view to achieve economy in expenditure, the stations should be directed to tighten the budgetary control.

23. Sales Budget vs. Actuals

As in case of expenditure, a budget is also prepared for revenue target for each station. In the monthly account, the figures for both budget and actual figures are indicated.

Comments

As in the case of expenditure, actual sales figures are much less than the budgeted figures. Meeting of revenue target, of course, depends on the flight pattern. However a proper sale target with working details would reveal shortfall in sales target due to lack of operation or lack of sales efforts.

Recommendation

- i) Depending on the yearly plan of operation, sales target for each station be fixed.
- ii) Performance of the station with the budget should be monitored on month basis with relation to the actual flights operated. This becomes all the more important during lean seasons so that sales efforts can be stepped up to improve load factor.

24. Receipt for non-revenue transactions

Existing Systems

Sometimes issuance of a receipt for non-revenue transactions becomes essential as in case of sale of scrap, collection against recoverable

expenditure etc. The receipt which is used for revenue transaction is also used for non-revenue transactions.

### Comments

Revenue receipt is a revenue document and should be strictly used as such.

### Recommendation

A separate set of receipts should be used for non-revenue transactions and a prefix 'E' (for expenditure) may be added to distinguish it from the revenue receipt.

### 25. Filing

Many agreements are not available in file, suggesting requirement of a better control over filing system.

## OTHER RECOMMENDATIONS

### 26. Pool arrangements

In the airline industry, pool arrangements with various carriers are bilaterally made whereby revenue pertaining to traffic carried by two partners between their countries is shared. There are also arrangements between some airlines, which are known as commercial arrangements where only one of the partner airline is operating through the other partner's country. In such cases where the other carrier is operating on unilateral basis, royalty as per agreed formula is received based

on the number of passengers uplifted and discharged. Having regard to the practice in this region, the possibility of earning royalty or pooling arrangement should be explored.

27. Bonus Tickets

To encourage passenger to use GAC to travel, a scheme could be introduced whereby the frequent flyers could be given a bonus ticket free or rebated after they have performed journey on GAC of a certain mileage. The use of free or rebated ticket could be restricted to lean seasons.

28. Transportation Service Contracts (TSC)

Transportation service contracts are arrangements by which air transportation for passengers or cargo is provided to the party in exchange for supplies/services rendered by the party to the airline for an agreed amount. The advantage of entering into a TSC is that cash outgo is avoided. The services usually obtained under this arrangement are in the form of publicity - though other services and supplies of goods can also be contracted under this arrangement.

Considering the fact that GAC hardly has any publicity budget, GAC could examine the proposal whereby with a view to gain publicity, GAC may agree with the sponsors of a leading exhibition, cultural show sporting event to give a free ticket to the winner of a contest or lucky draw organised by them. Adequate publicity should be ensured by the sponsors in lieu of the free ticket by advertising GAC ticket attraction while publicising their show and by display of GAC banners at the venue of the event.

TSC arrangements can also be made partly in cash and partly by way of transportation.

29. Destruction of old records

A policy should be laid down to destroy certain records which are say more than three years old viz. flight coupons, audit coupons etc. However, statutory requirement if any in this regard must be taken into account while fixing a time limit for retaining old records.

30. Investments

In respect of idle funds full advantage of interest bearing fixed deposits or call deposits should be taken. Present investment of a million dollars with NBIC at 16% per annum appears unwise in retrospect since the rate of interest prevailing at present is almost double. Though surely 16% must have been the best rate at the time of investment and upward or downward trend can not be foreseen, care should be taken to include a clause for cancellation of the agreement at a later date if the terms are found unsuitable.

31. Continuous Audit

A system of continuous audit, whereby the work of juniors is regularly checked and supervised by the senior staff must be introduced in GAC for both revenue and expenditure divisions. A system of continuous audit will not only eliminate mistakes, it will also ensure proper training for the staff.

32. Participation in international seminars

The staff should be encouraged by allowing them to participate in international meeting like annual prorated meetings, annual accountant's workshop etc. This will also result in publicity for the airline since the card of individual airlines are displayed at the venue and list of participating airlines is published and circulated to all the airlines. More important with the international exposure, the staff would come to know the latest developments in the international field which would help him to guide the staff and enable him to discharge his own functions more effectively.

33. Shifting of Revenue Section to Main office

Possibility of Revenue Section to the Main Office should be explored for better flow of papers and information, for better administrative control, for better utilisation of man power and for more cohesive functioning of the accounts as a whole.

34. Time bound schedule for preparation of various financial statements

A strict time bound schedule has been prescribed by IATA for dispatching invoices every month which is strictly followed by all the member airlines including GAC. Likewise for internal purposes, a strict schedule should be prepared for preparation of monthly accounts, cash flow statement, revenue analysis, bank reconciliation, computer data entry etc., which should be monitored very strictly to ensure that the financial statements are available within a reasonable time



from the end of a period. Annual Accounts should be ready within four months or maximum six months from the end of the year.

35. Agents Productivity Statement

At Timehri Accounts, an Agent's Productivity statement was being prepared which used to give sale generated by the Agent, GAC offices abroad and in Guyana. The statement has been discontinued effective July, 1989. The statement should be revived and made use of to gauge productivity of the Agents.

Improvement of Management Information System

36. Monthly Profit & Loss Account

While information to PCS has to be continued in the format advised by them, it is suggested that for internal purposes, monthly accounts should be prepared as per the format as per Annexure V. This format would give information regarding revenue and expenditure in hard and soft currency, comparison with budget and comparison with the previous year - both for the month and year to date.

37. Monthly Traffic Revenue Statement

Besides the monthly revenue analysis statement which is prepared every month, another traffic and revenue statement should be prepared giving therein the revenue credited to each station as per area of

sale of the flight coupons. The statement should give figures for the month and for year to date plus comparison with the revenue budget of each station along with percentage variation. This would help to gauge the revenue performance of individual stations.

The format of the suggested statement is as per Annexure VI. With computerisation of revenue accounts, this statement can be generated by the computer based on the data keyed in from the flight coupons.

38. Direct Cost/Revenue Ratio Statement

This statement can be prepared quarterly, if not monthly to study the direct cost/revenue ratio of individual station. This statement should indicate percentage of each expenditure head to the revenue earned by the station and would readily reflect increased expenditure to enable exercise control. Comparison with the immediate previous quarter and with the quarter of the earlier year would give variations in different period.

The format of the suggested Direct Cost Revenue ratio is as per Annexure VII.

39. Statement of Routewise/Cost & Load Factor

This statement is very important to show individual stations contribution to the monthly profit and loss and also to show whether the stations are meeting the cash cost or not. Load factors would reveal the percentage of the capacity carried by each route.

The suggested format of the statement of Routwise/Cost and load factor is as per Annexure VIII.

40. Other Useful Management Statistical Information

It is important for the Management to know the total revenue hour flown by the aircraft and utilisation hours per aircraft per day. This information can be worked out as per the format given as per Annexure IX.

Information regarding yield per passenger for every route must also be worked out separately. This can be worked out by simply dividing the total passenger revenue earned for a route during a month by the total number of revenue passengers uplifted on the sectors. A downward trend would need study for improvement of yield. Total staff strength departmentwise may also be given to the Management every quarter along with figures for the previous quarter and similar quarter for the previous year.



GUYANA AIRWAYS CORPORATION

DATE:

REPORT NO:

STATION:

Pax Ticket/MCC Ex. Baggage Ticket		Exchange Documents		Cash/Cheque Collection				Charge Sales		Account to be Charged	Receipt Number	Posted	Remarks
				CASH		CHEQUES							
Prefix	No.	Prefix	No.	Tax	Fare	Tax	Fare	Tax	Fare				
1	2	3	4	5	6	7	8	9	10	11	12	13	14

BANK RECONCILIATION STATEMENT

(COLLECTION ACCOUNT)

MONTH:.....

1. Opening Balance as per Bank Statement .....

Add

2. a) Amount lodged as per cash and Bank Statement .....

b) Deposits of previous month now credited by the bank .....

c) Transfer from ..... (give full details) .....

d) Other credits (give details) .....

Sub-Total (A) \_\_\_\_\_

3. Less

a) Amount lodged but not yet credited as per list attached .....

b) Transfer to Expenditure Account  
.....  
.....  
.....give full details \_\_\_\_\_

c) Bank charges, if any .....

b) Other debits, if any(give, full details) .....

Sub-Total (B) \_\_\_\_\_

Closing Balance as per Bank Statement (A-B) \_\_\_\_\_

Note: Cheques returned unpaid should be included in 3(e) till they are realised

ANNEXURE IV  
BANK RECONCILIATION STATEMENT  
( REFUND ACCOUNT )

MONTH: . . . . .

1. Opening Balance as per Bank Statement . . . . .

Add

- a) Transfer from Collection Amount . . . . .
- b) Transfer from Expenditure Account . . . . .
- c) Unpresented cheques for the month  
(as per list attached) . . . . .
- d) Any other adjustments(give details) . . . . .

Total (A) \_\_\_\_\_

Less

Less:

- a) Unpresented cheques for previous month . . . . .
- b) Refunds as per monthly statement  
of refunds . . . . .
- c) Any other adjustments(give details) . . . . .

Total (B) \_\_\_\_\_

Closing Balance as per Bank Statement

( A - B ) \_\_\_\_\_

## PROFIT AND LOSS ACCOUNT

MAY

JANUARY/MAY

Period 1989	Over Budget %	MAY			Particulars	JANUARY/MAY			Under- Budget %	Over 1989
		Previous Year 1989	Provisional Actuals 1990	Budget 1990		Budget 1989	Provisional Actuals 1990	Previous Year 1989		
		Hrd Soft T/L	Hrd Soft T/L	Hrd Soft T/L		Hrd Soft Total	Hrd Soft Total	Hrd Soft Total		
					<u>REVENUE</u>					
					1. Passenger					
					2. Excess Baggage					
					3. Freight					
					4. Mail					
					5. Charter					
					6. Handling					
					7. Interest					
					8. Miscellaneous					
					Total Revenue (A)					
					<u>EXPENDITURE</u>					
					1. Staff cost					
					a) Pay, Allow. etc					
					b) Crew Cost					
					c) Other Staff Cost					
					2. Fuel & Oil					
					a) Aircraft					
					b) Surface T/port					
					3. A/craft landing					
					4. Handling chgs.					
					5. Lease of A/c chgs.					
					6. Pax amenities					
					7. Navigation chgs.					
					8. Rent, Electricity, General chgs. Maintenance of building, equipt. etc.					
					9. Insurance					
					a) Pax					
					b) Hull					
					c) Pilot					

Cont'd





STATIONWISE SUMMARY OF DIRECT COST/REVENUE

STATION:..... Figures in GY\$ '000

QUARTER ENDED APRIL/JUNE

	For the Quarter (April-June)		Previous Year (April-June '89)		Year to date (Jan-June)		Previous Year (Jan-June, 1989)	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
<b><u>DIRECT COST</u></b>								
1. Pay, Allowances, Overtime etc. Other staff costs								
3. Landing Fee Handling Charges								
5. Expense on Motor Transport Insurance								
7. Commission to Agents <u>Other Expenses</u>								
a) Rent, Rates & Taxes, Electricity								
b) Printing & Stationery								
c) Communication								
d) Miscellaneous								
9. Total Direct Cost								
10. Total Revenue								

Annexure VIII

STATEMENT OF ROUTE WISE REVENUE/COST AND LOAD FACTOR

MAY, 1990

GY\$ in '000

MAY, 1990						JANUARY/MAY, 1990											
No. of Single Flights	Operating Rev.	Cash Cost	Cash Surplus/Deficit	Operating Cost	Operating Profit/(Loss)	Load Factor		ROUTE	No. of Single Flights	Operating Rev.	Cash Cost	Cash Surplus/Deficit	Operating Cost	Operating Profit (Loss)	Load Factor		
						Pax %	Overall %								Pax %	Overall %	
								GEO/NYC									
								GEO/MIA									
								GEO/YYZ									
								DOMESTIC									

AIRCRAFT UTILISATION STATEMENT

MAY, 1990

JANUARY - MAY, 1990

Variation Over 1989 Budget %	MAY, 1990		Budget May	Particulars	Budget 1989	JANUARY - MAY, 1990		Variation Eudget %	Over 1989 %
	Previous Year 1989	Prov. Actual May				Prov. Actual 1990	Previous Year 1989		
				A. <u>Revenue Hours Flown</u>  <u>Type of aircraft</u>					
				B. <u>Aircraft Utilisation</u> Revenue Hours Per Aircraft Per Day					

PART II

REVENUE ACCOUNTING MANUAL

CHAPTER I

REVENUE DOCUMENTS:

1. INTRODUCTION:

The following documents are known as accountable documents

- i) Passenger Ticket
- ii) Excess Baggage Ticket
- iii) Miscellaneous Charges Order (MCO)
- iv) Airwaybill
- v) Receipt Book

While in Guyana Airways, the above listed are the basic types of Revenue Documents, in many airlines, Prepaid Ticket Advice (PTA) is also printed and stocked which is also a Revenue Document. Revenue Documents are issued in connection with the 'sale' of passenger and cargo transportation.

Accounts Department is responsible for safe custody of revenue documents. Accounts is also responsible for utilisation, control and accounting of these documents. A brief note on each type of revenue document is as under :

2. Passenger Ticket

This is issued by or on behalf of a carrier which provides for the carriage of the passenger and his baggage. A passenger ticket comprises of the following coupons.

- (a) **Auditor's coupons** This is the first coupon on which the particulars viz - passenger name, itinerary, fare, validity period etc. are written. After the ticket is made out and validated the auditor's coupon is removed from the ticket jacket by the issuing authority and is handed over to Accounts along with cash/cheque/MCO or authority letter. Auditor's coupon is a sale document for the accounting purpose.
- (b) **Flight coupons** The second and subsequent coupon constitute the flight coupons which provide for carriage of passengers. At the airport, a passenger is required to produce the ticket jacket along with the flight coupons at the time of checking. For each sector of journey, there is a separate flight coupon which is required to be removed by the traffic staff from the ticket jacket. The ticket jacket along with unutilised documents is returned to the passenger who is required to utilise the flight coupons in sequence.
- (c) **Office coupon** This coupon comes after the flight coupon and is the last one. This coupon is detached and retained by the ticket issuing office.
- (d) **Passenger coupon** This is the ticket jacket which is retained by the passenger. On the ticket jacket, terms and conditions of carriage are printed and it constitutes the passenger's written evidence of the contract of carriage.

It must be noted that a ticket is not valid unless it is validated with a stamp, date and place of issue evidencing that it has been officially issued by the carrier or his agent.

The period of validity for carriage will depend on the type of fare. Normally, for normal fare tickets, the validity for carriage is one year from the commencement of journey and if no portion of the ticket is used, from the date of issuance of ticket. However, if a ticket is issued for a particular fare, applicability whereof is limited to specific periods of the day, week, month or year, then the ticket is valid only during that period. The period of validity may be extended under certain circumstances like inability of carrier to provide carriage, illness of the passenger etc.

All revenue documents (except receipt book number) are identified by the code 20c which is known as Form Number. The Form Number precedes the actual number of the ticket. Two stage ticket have a prefix 2000 and four stage ticket have a prefix 4000

### 3. EXCESS BAGGAGE TICKET

This ticket is issued to the passenger who wish to carry accompanied baggage in excess of the free baggage allowance applicable to them. For normal Economy Class travel, the free baggage allowance is 44 pounds (20 kgs.) whereas for First Class it is 66 pounds (30 Kgs.). However, in U.S.A.

free baggage allowance is 64 kgs consisting of two baggage pieces of specified dimensions. For infant tickets, no free baggage allowance is given.

Normally, the excess baggage rate is one percent of the First Class fare for the sector of travel.

As in case of passenger ticket, the first coupon is the Auditor's coupon which is meant for accounting purposes. The subsequent coupons are flight coupons which are removed at the time of accepting the excess baggage. The last coupon is the office coupon which is retained by the office issuing the ticket. The passenger's coupon is the last one which is printed on the inside of the back cover.

Excess baggage ticket bear the following Form Number which precedes their serial number.

206 4520

Excess baggage ticket should indicate the relevant ticket number held by the passenger. In case baggage of more than one passenger is pooled together, all the relevant passenger tickets which are taken for pooling the baggage should be indicated on the Excess Baggage Ticket.

4. MISCELLANEOUS CHARGE ORDER (MCO)

MCO is issued in favour of a specified person or group showing the amount collected for air transportation and/or related services which are incidental to or connected with



such transportation. However, MCO's do not constitute a contract of carriage. They are required to be exchanged by the passenger for a passenger ticket and/or excess baggage ticket. MCO should not be issued if a passenger ticket/excess baggage ticket can be directly issued. MCO should not be issued for transmittal of funds as such. While issuance of a MCO is optional by a carrier, acceptance of MCO by all IATA carriers is mandatory.

When transportation on a MCO is not specified, then the value should not exceed US\$350 or its equivalent.

MCO's are valid for one year from the date of issue. MCO's consist of auditor's coupon for accounting purposes, exchange coupon, office coupon for issuing office and the passenger's copy which is printed on the inside back cover. GY MCO's are identified by the following Form Number which precede the serial number.

206 2100

5. AIRWAYBILL:

Airwaybill which is also known as Air Consignment Note is the document which is used for carriage of cargo and unaccompanied baggage i.e. personal effects. The AWB is made out by agents as well as carrier and evidences the contract between the shipper and carrier for the carriage of goods. The terms and conditions of the contract of carriage are printed on the back side of the originals

of the airwaybill. Apart from contract of carriage, airwaybill also serves as proof of receipt of goods for shipment, certificate of insurance (if insurance is arranged by the carrier) and customs declaration. Airwaybill consists of several copies to suit the need of individual carriers. In G.A.C., Airwaybill stock is not issued to the Agents.

6. RECEIPTS

An official receipt is to be issued in respect of payments received from the agents in settlement of sales report/invoices. Official receipt is also issued to booking office staff when they deposit daily cash collection with the cashier. Passengers may also pay cash with cashier at the Main Office and get a ticket issued by presenting the same at the booking office. Normally, no receipt is required to be issued in case of issuance of ticket/MCO/Excess baggage ticket by cash/cheque where no credit is involved except in case of US\$ collection for which an official Foreign Currency Receipt is required to be issued. No receipt is to be issued for non-revenue transactions such as transfer of funds from one station to another or transfer from one bank account to another bank account. These transactions should be reflected in the Bank Reconciliation statement.

Sometimes a receipt is also required to be issued in respect of transactions which are distinct from revenue collections viz collection against recoverable expenditure, sale of scrap etc. In many airlines, a separate set of receipts are issued for non-revenue transactions.

PREPAID TICKET ADVICE (PTA) are used for collecting money from passengers when they pay for someone else who will commence his journey from a place different than the one where the money is collected. The station issuing PTA advises the station issuing ticket the name of passenger, full details of journey, fare collected and whether an agent is involved in issuance of PTA. Pta are also known as issuwire and are generally relayed by telex and is to be followed by a regular PTA document which is many airlines is an accountable document. Like MCO, PTA's must not be used for transmittal of funds and issuance of PTA is also subject to Government regulation of the country concerned. Selling office must ensure this.

## CHAPTER II

### RECEIPT/ISSUE AND CONTROL OF REVENUE DOCUMENTS:

#### 1. Indent for revenue documents :

Accounts is entrusted with the job of arranging, printing and supply of revenue documents to stations. Various units requiring ticket stock must advise Accounts regarding their requirement of revenue documents in advance to enable Accounts to depatch of documents. Printing of revenue documents is done through Miami office of Guyana Airways. On receipt of the revenue documents, the receiving unit must carefully check the quantity and serial number and acknowledge receipt of the Accounts. Any discrepancy observed should be taken up immediately with Accounts.

#### 2. CUSTODY OF DOCUMENTS :

Accounts is responsible for the safe custody of revenue documents. The bulk stock is required to be kept in a safe and the quantity required for current use only should be kept in the office cupboard. The safe and the office cupboard storing documents should not be easily accessible to outsiders. A proper record of the revenue documents has to be maintained and correctness of the stock should be physically verified at least once in every three months. Format of Stock Register is as per Annex I.

#### 3. ISSUANCE OF DOCUMENTS ;

A written requisition must be obtained from agents and stations before supply of revenue documents to them. Acknowledgement should also be obtained from the agents and stations within a

reasonable period. It is also important to establish that previous stock by the agents has been properly utilised and unduly large stock is not held by the agents without valid justification.

In respect of documents supplied to booking office and airport office, their acknowledgement may be taken in the stock register itself from the person to whom the delivery is effected.

4. DOCUMENT UTILISATION CONTROL :

It is the responsibility of the Accounts to ensure that revenue documents supplied to agents, booking office, airport office etc., are duly accounted for and there are no omissions. For this purpose, it is necessary to maintain Documents Utilisation Control Register properly. The register should be posted regularly with the receipts and issues and must show the correct balance physically held. Any omission to account for an in between document should be brought to the notice of the agent, booking office, airport office, outstation as the case may be immediately for investigation.

5. DESTRUCTION OF OBSOLETE STOCK :

From time to time certain series of revenue documents become unfit for use due to change in regulations, format etc. In such an eventuality, Accounts must recall from agents, outstations, airport office etc., all such unutilised documents, make an inventory and arrange for destruction of the same after obtaining proper sanction and after intimation to all concerned.

## CHAPTER III

### ACCOUNTING OF REVENUE DOCUMENTS

#### Introduction

While exercising control over distribution of revenue documents, reporting of sale by various offices, accounting of transactions in the statements and banking of collections, it should be ensured that the following basic functions are handled by two different accounts staff and not by the same staff.

- a. Checking ticket sales made by agents, booking office etc., with the document stock register.
- b. Accounting of documents in the statements and banking of collection.

#### Accounting of tickets, MCO etc.

##### a. Booking Office

The staff at booking office is required to report the tickets, MCO's or Excess Baggage Tickets issued by them on a day to day basis in a format of sales report called 'Agencies Report'. This is a statement of daily sales effected by the staff indicating against each document either (i) cash collection (ii) cheque collection (iii) charge (credit sale) or (iv) exchange of document.

Format of 'Agencies Report' is given in Annexure II.

Each Agencies Report should be supported with the relevant documents viz. audit coupons, exchange coupons etc.

Tax and Fare has to be reflected separately in the appropriate columns of the report. Each report must also bear distinct serial number.

Around the closing time of the office hours, the staff of booking office hands over the report along with the documents and the cash and cheques collected as per the report to the cash collector from the Main Office. In turn, these reports along with the cash/cheque and documents are handed over by the cash collector to the cashier at the Main Office. The cashier acknowledges receipt of the cash and cheques by issuing a temporary receipt. On the next day, the official revenue receipt is issued to the booking office staff. Acknowledgement of the documents and cash/cheque is also registered on the report by a rubber stamp giving date of transaction.

The Sales Report, duly acknowledged, along with the duplicate copies of the receipts and the documents is handed over to the staff of Credit Control Section who then prepares a statement of receipts on a sheet as per the following format:

Receipt Number	Details (Name of Staff)	A/C Code	Amount (Sub-Total)	Total (Extended Total)
----------------	-------------------------	----------	--------------------	------------------------

All the receipts issued to the booking office staff are summarised in this statement alongwith their names and the amount deposited by them to the cashier.

The staff of Credit Control Section also prepares a JV wherein G.N.C.B., G.P.O., Branch is debited in respect of cheques deposited and NBIC, Main Branch is debited in respect of the total cash deposited for the day. The amount lodged with the banks must tally with the collection as per the statement of receipts. In the JV various accounts as applicable are credited viz Forward Sale, Travel Tax etc.

Format of Journal Voucher (JV) is given as per Annexure III.

JV's are appropriately numbered with date and a cross reference of the relevant JV is also noted on the individual sales report.

The various accounts head as per the JV are keyed in periodically through the computer for debiting or crediting the appropriate accounts in the ledger. Sale of other carriers' documents for whom the stock of tickets is held by GAC, is also reported through the same 'Agencies Report' which is used for reporting sale of Guyana Airways documents. When foreigners buy tickets in Guyana, they are required to pay the fares in US \$ unless they are specifically exempted by the office of the Communication Ministry to pay in US \$. Nationals of Guyana can also buy tickets in US \$ under special US \$ fare scheme. When a passenger has to buy a ticket in US \$ he is required to collect the invoice from the booking office and then pay the US\$ fare directly at the Main office to the Cashier. The cashier issues a 'Foreign Currency Receipt' to the passenger who then collects the ticket from the booking office on production of the 'Foreign Currency Receipt'. The sale of the tickets in US \$ is also reported in the same 'Agencies Report' and the reference of the Foreign Currency Receipt is noted against such tickets which are issued in US \$.



For the passengers flying out of Guyana, Airport Travel Tax at the rate of GY\$ 165 per passenger is applicable which can be paid either at the airport at the time of departure or at the time of purchasing ticket. If the travel tax is collected by the booking office staff at the time of sale of tickets, the sale is required to be reported to the cashier in separate report called Tax Report. The Tax Report along with the cash collected and counterfoils of travel tax voucher are handed over to the cash collector.

Format of Tax Report is given as per Annexure IV.

b. Agents

The Agents who are on reporting basis and are authorised to hold revenue documents stock of GAC, are required to report their sale fortnightly i.e. from 1-15 and from 16 to end of the month. The report is required to be submitted within a week from the end of the period of sale and the report must be accompanied by a cheque payable to GAC for sale of the documents and another cheque drawn in favour of C.I.R. (Commissioner of Inland Revenue) for the travel tax collected from the passenger. The Travel Tax is collected at the rate of 10% of the passenger fare. The PSR (Passenger Sales Report) is required to be submitted as per the prescribed format.

Format of the Passenger Sales Report is given as per Annexure V.

The agents are authorised to hold stock of passenger tickets and MCO's but are not authorised to hold stock of airwaybills and excess

baggage tickets.

If PTA is involved in issue of a document, a fee of GY\$ 165 (equivalent of US\$ 5) is collected from the passenger and the amount is passed on to GAC by the Agent.

In case GAC documents are issued against the documents of other carriers, they are also reported in the same PSR and reference of the exchange document is mentioned in the appropriate column of the PSR.

In case of sale of revenue documents of other carriers for which GAC is handling agent and is authorised to hold the ticket stock, the sale is reported as per the format prescribed by the individual airlines.

The PSR must be accompanied by the auditors' coupons in original. In no case photocopies should be accepted. Void coupons must always be attached to the auditor's copies. In case of reissue against other carriers documents exchange coupons must be attached to enable taking of prompt billing action on the other carriers.

If an agent has not effected any sale during a 'period of sale' he should submit a written 'nil' report within the time limit.

In case agents who have effected sale in 'US\$ they are required to pay US\$ in cash to the Cashier at Main Office while submitting the Passenger Sales Report. The cashier issues a revenue receipt to the agent reference whereof is also noted on the PSR by the staff of revenue section.

On receipt of PSR, acknowledgement is issued to the agent either on the duplicate copy of the PSR or on the copy of the covering memo. The PSR is then entered in a register titled "Receipt of travel agents cheques" as per the format hereunder.

Travel Agent	Airline Sale	Cheque Number	Amount	Received By
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The passenger Sales Report should be checked on receipt to ensure that

- i) tickets are properly issued.
- ii) proper amounts are reflected in the appropriate columns.
- iii) totals of the sales report are correct.
- iv) the commission amount claimed by the agent is in order.
- v) all documents are attached including exchange documents in case of interline issues.
- vi) payment received from the agent tallies with the total amount reflected in the sales report.
- vii) the report and the cheques are received within the prescribed time limits.

(c) OUTSTATIONS

Offices of Guyana Airways Corporation viz. New Amsterdam, Linden and Rose Hall and foreign offices viz. New York and Miami are also required to report their ticket sale daily as per the same format of

'Agencies Report' which is used by the Booking Office staff in Georgetown.

The reports from the foreign offices are received periodically, depending on the flight frequency between Georgetown and these stations. The sales reports must be accompanied by the auditors coupons, exchange coupons etc., and the bank pay-in-slip in original, duly acknowledged by the bank must be attached along with the sales report. It must be ensured that there is no unreasonable delay between collection of cash/cheques and banking of the same.

In case certain tickets are reported void, it must be ensured that all the coupons of the voided tickets are attached along with the sales report. Needless to add, all other necessary checks viz. that the tickets are issued for correct fare, totals of the sales report are correct etc., must be exercised on receipt of the sales reports and any discrepancy noticed must be brought to the attention of the Manager of the station concerned through Finance Manager.

At New York, Guyana Airways Corporation has two offices issuing tickets i.e. at Brooklyn and at Queens. At Miami, the sales reports are received from the Guyana Airways Corporation booking office. Sales reports are also received from airport offices of New York and Miami which are basically in respect of excess baggage tickets.

At New York, Guyana Airways Corporation ticket stock has also been placed with an agent PAPO's Travel Service who is reporting sale to New York office on a fortnightly basis i.e. from 1st to 15th and from

16th to the end of the month. The format for the Passenger Sales Report is the same as used by the agents in Guyana and the report is required to be submitted within a week from the end of the period of sale. 9% commission is paid to the agent on the basic fare for ticket sales. At Toronto, Guyana Airways Corporation has appointed a General Sales Agent (GSA) viz Stafford Travel (1985) Ltd. The sale of tickets at Toronto is reported by the GSA through the Passenger Sales Report which is used by the agents in Guyana. In this sales report, the tickets sold by the GSA as well as the tickets sold by the other agents are reported by the GSA. As in case of other sales report, GSA report is also required to be accompanied by the auditors coupons and the bank pay in slip duly acknowledged by the bank in respect of collection banked by the GSA. An overriding commission of 3% is also paid to the GSA.

(d) ARC Reports (Airline Reporting Corporation)

Many agents in North America are given ARC ticket stock by the Airline Reporting Corporation. The airlines place the validation plate of their airline on selective basis. These agents, depending on the itinerary of the passenger, use the applicable validation plate of the airline concerned and report such sales directly to ARC along with payments. In turn ARC reports sales to the respective airlines on a weekly basis. The auditors coupons and the cheque after deducting the applicable commission is also sent along with the report.

GAC has placed its validation plate with several agents in North America. ARC is reporting weekly sale to GAC office New York and Miami

as per a computerised format. Normally commission to the agents who are reporting to ARC is allowed at the rate of 9% on the basic fare, although the rate of commission may vary depending on the agreement with the individual agents and the airline.

(e) Credit Cards

At Guyana, no credit cards are accepted in lieu of sale of revenue documents. However, in North America, GAC offices at New York and Miami and the agents at these stations are honouring credit cards of the following companies:-

- i) American Express
- ii) Diners Club
- iii) Visa Card
- iv) Master Card

Following precautions have to be taken at the time of issuing tickets against credit cards.

- i) The validity period of the cards has not expired.
- ii) The card has not been blacklisted.
- iii) The signature of the passenger on the charge form tallies with the signature on the credit card.
- iv) The charge form is filled properly with requisite particulars.

- v) Wherever the amount of credit exceeds the limit prescribed by the credit card company, their approval code should be obtained and quoted on the charge form.
- vi) As a precaution, the passport details and address of the passenger should be recorded separately.
- vii) No refund of fare should be effected to a passenger directly in respect of unutilised documents issued against credit cards. The refunds should be processed in favour of the credit card companies.
- viii) The card number should be distinctly indicated on the ticket.

In respect of tickets issued at Miami office, billing to the credit card companies is done through New York. An invoice has to be raised promptly and forwarded to the Credit Card Company, supported by a copy of the charge form.

The Credit Card Companies charge 5% commission for use of their services. If a credit card booking is effected through an agent, the latter is eligible to receive normal agency commission.

On receipt of a copy of the invoice raised on the credit card company and subsequent payment advice along with supporting vouchers necessary accounting entries are passed at Timehri accounts.

(f) Airwaybills

As in case of passenger tickets proper care should be taken to ensure

safe custody of blank airwaybills and also to ensure that all the agencies issue documents and account for them in proper sequence, without any break in series.

In Guyana, GAC airwaybills are issued either at Timehri Cargo Division or at the Ramp in Georgetown. For a cargo consignment, the freight charges may be collected either at origin or at destination. When the freight is collected at the origin, it is called 'prepaid' and if it is to be collected at the destination, it is called 'charges collect'. It must be ensured that cargo is not released without payment of the charges unless credit authority has been issued by the Credit Controller.

The sale of airwaybill is required to be reported by the cashier under a covering memo along with copy of the airwaybills and copies of the receipts issued to the parties. The cashier is also required to bank the collection on a regular basis.

While at Guyana, no agents are involved in issue of airwaybills in North America there are a few cargo agents. At Miami airport, Bellomy Lawson is the main cargo agent for Guyana Airways and in New York there are many freight forwarders who report sale along with payments on weekly basis. A 'nil' report is also filed by the active agents in case no sale occurs in a 'sale period'. Cargo agents are eligible for 5% commission on freight charges. At Timehri accounts, all flight cargo for a month is listed on a sheet and payment details against each uplift is matched for control purposes. Any cargo uplifted for which matching



payment details are not available is required to be investigated.

Travel Tax Report

Travel Tax which is collected from the passenger at the rate of 10% of the basic fare is required to be paid to the Commissioner of Inland Revenue within 21 days from the end of the period of sale. For example, for the period of sale ending on the 15th of a month, the travel tax must be paid to C.I.R. before the 7th of the following month.

Travel Tax is always collected in GY dollars, even in respect of tickets which are sold in US\$.

Travel Tax is paid to the CIR along with Travel Tax Report, a format whereof is as per Annexure VI.

Even in respect of the tickets which have been sold in credit, travel tax is required to be paid to CIR.

In case of refunds, adjustments are reflected on the Travel Tax Report and a payment voucher for the net amount is sent to Main Office by Timehri accounts for effecting payment to CIR.

In respect of travel tax which is collected on sale of other carriers documents and by the agents, a similar Travel Tax Report is prepared at the Main Office for submission of the same to CIR along with the payment.

Since a fine is levied by CIR in case payment of travel tax is not made on the due date, payment within a stipulated period must always be ensured.

A copy of all the booking office sales reports and of the passenger sales reports from the agents in Guyana are sent to the office of CIR. The staff of CIR periodically visits GAC for verification of the records.

## CHAPTER IV

### Accounting Of Refunds

Sometimes, after buying a ticket, the passengers are unable to travel or utilise the ticket of the airline concerned for various reasons. In some cases, all the sectors in a ticket may not be utilised by a passenger or a few sectors may remain unutilised. In such cases, the money towards unutilised ticket surrendered by the passenger has to be refunded. The passengers are required to surrender the unutilised ticket to the Booking Office staff. An acknowledgement slip is issued to the passengers who are advised to check with the Accounts department at the Main Office after two to three weeks.

The refund claims are processed at the Booking Office to work out the exact amount required to be refunded. After doing the needful, the refund claims are forwarded to Accounts Department where they are noted in a book titled "Refund Despatch Book" which is as per the format below:-

<u>Serial Number</u>	<u>Name of Pax</u>	<u>Ticket No.</u>	<u>Amount</u>
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The original sheet of the book (duplicate copy is retained in the book) along with the documents is forwarded to Timehri Revenue Division periodically, say twice a week for further processing. After verifying the refund claim, the same is returned to the Accounts Department at the Main Office under an advice called Refund Dispatch Notice (Format as per Annexure VII) along with the documents. On receipt of this advice from Timehri, a noting of date of receipt is made in red ink against respective case in the "Refund Dispatch Book". Sometimes, refund claims are returned by Timehri accounts

division either due to wrong calculations or due to incomplete documents in which case they are forwarded to Booking Office for corrective action or are filed separately for checking necessary details with the passenger and the case may be. In such disputed cases, while noting the date of receipt in red ink, query is noted to indicate status of the refund case.

In respect of cases which have been cleared for effecting payment, an entry is made in another book called "GY Refund Book" in which the signature of the staff of Expenditure Division is obtained as acknowledgement for receipt of the refund case and for necessary payment action. The format of the GY Refund Book is as per format hereunder:

<u>Date</u>	<u>Name</u>	<u>Doc. No.</u>	<u>Amount</u>	<u>Signature of Expenditure staff receiving claims</u>
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The refund claims are then passed on to the cheque writer for preparation of the cheques.

The following points should be noted while processing refund claims:

- i) The refund is normally effected only at the place where the fare was originally collected.
- ii) If a document surrendered for refund was issued by an agent, refund will be processed through the agent concerned.
- iii) The commission allowed to the agent on the refundable amount must be recovered.
- iv) Refund should be processed after deducting cancellation or 'no show' charges wherever applicable.

- v) The surrendered documents must be defaced with a rubber stamp "cancelled".
- vi) In case of refund on lost documents, an indemnity has to be obtained from the passenger/sponsor. A Waiting period of 90 days has to be observed.
- vii) All refunds should normally be effected by cheques only. However, US\$ fare may be refunded in cash. Moreover, a refund amounting to less than GY\$ 250 may also be effected in cash.
- viii) Before refunding amount, a notation should be made in the original sale report. This precaution is necessary to guard against duplicable claims and to make sure that payment was received initially.
- ix) If the refund claim is in respect of a document which was originally issued on credit and for which payment has not been received, no refund should be made by cheques but a Credit Advice should be issued to adjust the account.
- x) In case of refund arising due to downgrading of class of travel from first to economy, the actual travel in economy class must be established.
- xi) Refunds involving retroactive student rebate must be thoroughly examined to ensure proper documentation.
- xii) If the refund in turn involves adjustment action with other carriers, proper action should be taken to effect interline adjustment.

**CHAPTER V**

**Revenue Collections & Banking**

**1. Bank Account**

Accounts department at Main Office has banking facilities with the following two banks -

NBIC, Main Branch, Georgetown

GNCB, GPO Branch, Georgetown

The power to operate the bank accounts rest with the General Manager, Corporation Secretary, Finance Manager, Deputy Finance Manager, Senior Accountant and the Personnel Manager. For signing of the cheques, two signatories are required - one of which should be from Accounts.

At Timehri, the Revenue Account has the facility of banking cash/cheques with airport branch of National Bank of Industry and Commerce.

**2. Record of Collection**

Total collection of cash and cheque made by the cashier during the day is required to be deposited into the bank account at the end of the working day. For security reasons, it is not advisable to hold cash overnight in the Main Office. As such, the cash is deposited in Night Depository at the Main Branch of NBIC under Security Escort. The cash bags which are serially numbered for identification can hold GY\$ 28,000 in each bag if the currency is in \$ 20.00 bill and can hold GY \$ 140,000 if the currency is in \$ 100.00 bill. Acknowledgement for receipt of the cash is required to be obtained from the bank on the next working day.

It is very essential to keep a record of the revenue collections lodged into the bank daily as also the amount credited by the bank. Extra precaution regarding deposits made through Night Depository is required to be taken to ensure exact amount is credited by the bank. It is very important to ensure that revenue collections made at all the stations are promptly reported and lodged in the Bank at the earliest opportunity - on day to day basis mostly. Any undue delay in reporting/lodgement of collections, especially cash should be investigated.

The following precautions should always be taken -

- i) The paying-in slips prepared for depositing cash and cheques must be legible and there should not be any overwritings. Instead of overwriting, a fresh pay-in slip should be prepared and the old overwritten one should be cancelled.
- ii) Paying-in slip duly stamped by the bank as acknowledgment for receipt of cash and cheque along with date must be kept with relevant documents properly.
- iii) Under no circumstances, stations should be allowed to support photocopies of the lodgement slip.
- iv) Cheques collected from the agents and other parties must not be withheld unnecessarily but must be promptly deposited.
- v) Outstations must be instructed to avoid large carry forward of cash and cheques unbanked.

- vi) It is very important to ensure that the Bank gives prompt credits to the deposits made.
- vii) Credits not given by the Bank in respect of deposits should be monitored closely so that any cheque not honoured, particularly cheques from Agents, comes to light at the earliest for further necessary action.



## CHAPTER VI

### Credit Control

#### 1. Introduction

It is a normal practice in the airline industry to issue documents against credits. Even as per the IATA resolutions, the passenger sales agents normally enjoy a credit period of 15 days and the cargo agents a credit period of 30 days. Government, semi-government agencies, embassies, reputed business houses etc. are also allowed credit. As such, credit transactions are unavoidable. It is therefore very essential that recoveries against such credits are very closely followed up and ensured that the credits are not outstanding for more than the minimum period required since the recoveries made in time will directly improve the cash flow of the airline. Moreover if the dues are not recovered in time, the possibility of such debts becoming bad cannot be ruled out. The basic control in this regard is therefore very essential by the Accounts Department.

#### 2. Credit Parties

The agents who are on reporting basis are required to report their sale fortnightly and are required to submit the cheque along with the report within seven days from the end of the period of sale. Only reputed agents should be given the ticket stock and as such number of agents who should be given credit facilities should be restricted. It is the duty of the Commercial Department to select and place the stock of ticket with the agents.

Extension of credit to the parties other than agents is decided by Credit Controller. Here again, the parties to be given credit should be discreetly selected. Normally, Government and semi government agencies, embassies, reputed business houses etc. are allowed credit facilities.

3. Extension of Credit

Booking office staff can issue ticket on credit only on specific authority from Credit Controller. Sale of tickets on credit has to be reported in the 'charge' column of the Agencies Report.

Each credit party is allocated a computer code number which is debited in case of credit sale while preparing a JV at the end of each working day. When these JV's are keyed in through the computer, the respective debit amounts are posted to the accounts of the individual credit parties. At Revenue Section at Timehri, all the amounts reflected in 'charge column' of the daily Agencies Reports are extracted at the end of the month on a spreadsheet and the total is tallied with the individual 'charge' column of the reports. This control is necessary to ensure that all credit parties are invoiced correctly.

In case of tickets which are issued by Booking office staff and for which cash is directly collected by the cashier at the Main Office, sale is reported by the Booking office staff in 'charge' column and the respective receipt number is reflected against such sales. Since no invoicing is involved in all such cases, an appropriate adjustment entry is passed at Timehri accounts every month after extracting the necessary details from the Agencies Report.

The invoices are prepared monthly at Timehri accounts and are forwarded to Credit Controller for onward submission to the credit parties under a covering memo.

As and when the amount is paid by the credit parties, receipt is issued to them and while preparing JV, the amount received from the credit party is credited. When the JV is keyed in through the

computer the respective amount is credited to the party concerned thereby squaring the original debit. An extract of debit balance of all the credit parties would list out Sundry Debtors on a given date.

In Guyana Airways Corporation, the credit facility is extended normally on passenger transaction only and very seldom 'charge collect' or 'freight collect' in respect of cargo transactions credit facility is allowed. In case a credit party who has a regular account credit advice instead of cash payment, should be issued to adjust the account.

At the time of preparation of Annual Accounts, agewise analysis of Sundry Debtors is also prepared which indicates the age of each outstanding debt. A provision in the Annual Accounts must also be made in respect of debts which are too old and appear doubtful for recovery. Invoices due from Government, semi-government agencies, embassies, consulates etc. should not be classified as doubtful debts. Needless to add, credit facilities in respect of credit parties who have unsettled invoices for a long time must be stopped forthwith.

## CHAPTER VII

### Sales Audit

Booking office sales reports are forwarded to Timehri Accounts on a weekly basis from the Main Office. Passenger sales reports from the agents are also similarly forwarded to Timehri Accounts. Sales reports from outstations and ARC reports are also received at Timehri Accounts periodically depending on the flight pattern.

A stock sheet is prepared to record the serial numbers of the tickets sequentially on the stock sheet. On receipt of the sales reports, the sequence of the tickets reported is recorded in the stock sheet to ensure that there is no break in the sequence of the tickets sold. The sales report number is quoted on the stock sheet as a cross reference.

Format of the stock sheet is given as per Annexure VIII.

The sales reports are checked with the tickets to ensure that the fare and tax quoted on the report corresponds with the ticket. The tickets are also checked to ensure correctness of the fare construction. If the fare construction is incorrect, the staff responsible for writing the tickets is required to be debited with the difference. If child fare is collected without indicating 'child' on the ticket, a reference must be made to the manifest to establish

whether the travel was by an adult or child. Sometimes, the tickets are required to be reissued. While doing sales audit, it must be ensured that the tickets which have been reissued were valid - with special reference to the time limit for which they were issued. The auditors coupons of the new tickets must be attached along with the flight coupons of the reissued tickets. In case of tickets which carry a specific confirmation date but are not used for travel on that date, a new sticker giving fresh date can be affixed. In respect of open tickets, reissue is unnecessary. Reissue, as such should be done only when unavoidable like in case of a change in routing etc. Sometimes a reissue involves collection of additional fare. The additional amount collected must be quoted on the reissued tickets and the amount must be shown in the appropriate column of the sales report.

Exchange documents are also attached to sales reports. The documents issued can be exchanged against documents of other carriers or can be exchanged against PTA. If the exchange is against a PTA, it is checked to ensure that the fare quoted is in conformity with GAC fare. If the amount as per the PTA is inadequate, additional amount must be collected from the passenger and reflected on the ticket and the sales reports. The auditors coupon should

be checked to ensure additional collection has been made. If the exchange is against another airline's ticket, the appropriate amount has to be billed to the airline concerned. It may also involve 'proration' of the ticket.

To summarise and re-emphasise the important points which should be remembered while doing sales audit.

- i) all audit coupons forwarded with the sales reports tally with the entries in the sales reports. Also exchange flight coupons, excess baggage tickets and PTA's are duly forwarded with fresh issues.
- ii) accounted documents belong to the current series in force.
- iii) period of validity is not exceeded in exchange transactions.
- iv) documents are properly validated
- v) tickets, EBTs, MCOs, receipts are issued in conformity with requirements.
- vi) requirement in respect of currency is properly observed.
- vii) if a short collection is observed in a transaction, a debit note is raised on the concerned staff.

- viii) Whenever a fresh ticket is issued against lost tickets, the fresh issue must be supported with indemnity bond. The indemnity bond must show the details of fresh/lost document and must be signed by the passenger. The fresh ticket must clearly indicate the complete routing of the original ticket and the flight coupon numbers and sectors of coupons lost.
- ix) Cases of over-writing, change of amounts and names on all revenue documents should be brought to the attention of the issuing station/staff.
- x) Void tickets must be checked to ensure that all flight coupons are received along with the audit coupons. 'Void' remark must be put on the complete set of cancelled tickets to avoid misuse.

While doing sales audit, if any discrepancies are observed, all steps must be taken for removing/avoiding recurrence of such discrepancies.

#### Tickets issued on rebate

While doing sales audit, if it is observed that a few tickets have been issued on rebate, it must be ensured that an RCA form is attached along with the auditors coupons. The RCA must be duly authorised by a senior person who is authorised to approve rebates. The validity of RCA which is normally three months must also be checked.

## CHAPTER VIII

### Assessment of Revenue

In airline business, sale of a document does not constitute earning of revenue until the journey is performed. A sold document may not eventually result into realisation of revenue in case the document is subsequently refunded or is used by the passenger for travel on another airline. As such, revenue of an airline has to be assessed based on the coupons uplifted on its services.

At the time of sale, the amount is credited to an account called Forward Sale Account. When the coupon is uplifted on the services of the airline the revenue earned by such uplift is debited to Forward Sale and credited to the revenue of the airline.

For assessment of revenue at GAC, the system presently followed is as under:

A monthly sheet is maintained where all the dates of the month are listed. The information regarding the operating schedule is picked up from 'Statistics' section of the revenue division. On the dates when GAC flights have operation, the relevant sector/sectors against the date are noted. On receipt of the actual flight coupons, the sector is struck off against the relevant sector. This control sheet is necessary to ensure that all the flight documents for all the flights are received.

The flight coupons which are uplifted on GAC services are received by Revenue Section every day from Passenger Services Section. These coupons are accompanied with passenger manifests and 'General Declaration' as per ICAO (International Civil Aviation Organisation) format. The total number of passengers mentioned on the manifest and 'General Declaration' are tallied with the actual flight coupons received along with these two documents.



The ticket coupons are batched and sorted as per the airlines concerned. A batch slip is prepared wherein form number of the airline and the total number of passengers of the airline are entered. The batch slip for each flight is prepared separately and sector of flight, flight number and date of flight is noted on the sheet. GAC coupons are entered separately, those issued in Guyana and separately for those issued in hard currency - say in New York.

Subsequently, the batch slips are passed on to the senior clerk who fills in the column of revenue. The senior clerk also prorates the coupons of the other airlines and revenue earned in respect of each coupon is noted separately on the batch slip.

The value of the revenue in respect of other airlines is mentioned in US\$ and at the end of the column is converted to Guyana dollars at the rate of 33 Guyana dollars to one US\$.

For control purposes, total number of infant coupons, N/R coupons (non revenue coupons) and foreign currency coupons are mentioned at the end of the batch slip).

The format of the 'batch slip' is as per Annexure IX.

The Revenue Book is prepared from the Passenger Batch Slip on a monthly basis. For the purpose of crediting revenue to the appropriate year of the forward sale, a breakdown of the year of sale is shown in the Revenue Book, in case the year of sale overlaps. The revenue books are summarised, stamped and subsequently signed by the Revenue Accountant.

The batch slips are keyed in the computer for preparation of monthly analysis of international passenger and excess baggage revenue. This analysis gives

routewise, number of flight, aircraft type, total number of passenger with breakup of infants, non revenue, foreign currency, passenger and excess baggage revenue separately. Other airline revenue and hard and soft currency revenue is also reflected in this analysis. In respect of other airlines revenue 9% Interline Service Commission is allowed. On this analysis sheet, revenue earned on uplift of other airlines coupons in gross, 9% ISC and the net revenue is also mentioned separately.

The format of the computerised 'Analysis of International Passenger and Excess Baggage Revenue' is as per Annexure X.

#### Invoicing other carriers

From the Revenue Book, a spreadsheet is prepared wherein details showing the airlines to be billed for the month are listed. The invoicing can be through American Clearing House (ACH), IATA Clearing House or direct debit in respect of the airlines who are not member of either of the Clearing Houses.

The billing to the other airlines can be either due to uplift of their coupons on GAC flights or due to issue of GAC tickets against their documents. As in case of uplifted coupons a batch slip is prepared so also in case of exchange coupons an exchange document batch slip is prepared. In case GAC tickets are issued against PTA issued by another airline, the invoice has to be effected through this exchange document batch slip. Based on exchange document batch slip, exchange document book is written up and totalled at the end of the month for preparing debit invoice on other airlines. The exchanged documents are photocopied and passed over to outwards invoice section for subsequent billing. The billing to the other airlines is required to be supported along with the original coupons while the photocopies are filed in the section.

• Format of the exchange document batch slip is as per Annexure XI.

• IATA & ACH recap sheets are prepared based on the details as per the spreadsheet. In case of IATA, Form I (prescribed by the IATA Clearing Housing) is prepared in triplicate. The original is sent to ACH & IATA along with the recap sheets through GAC Manager in New York for onwards dispatch, second copy is sent to the airline concerned along with the flight coupons or exchange coupons and the third copy is filed in the section.

Format of Form I is as per Annexure XII.  
Recap sheets are prepared in two copies wherein figures are worked out to the nearest U.S. Dollar.

The documents viz. Form I and Recap sheets are required to be dispatched to the Clearing House by 17th of the following month.

Along with the flight coupons which are dispatched directly to the airlines concerned, a listing of interline passenger coupons being billed is also forwarded for verifications. Based on Interline Passenger Coupons listings, interline passenger summary invoice is prepared which is also dispatched along with the flight coupons.

Journal vouchers (JV's) are written up from the Revenue Book a copy whereof, duly signed by Revenue Accountant is sent to Credit Controller for necessary posting action to the ledger.

### Proration

• The term proration means finding out the amount of revenue for one sector on the basis of through fare shown for two or more sectors on the ticket.  
• IATA has published a 'Prorate Factor Manual' wherein Weighted Mileage Factors for each city pair have been given and the proration has to be done as per

the directions given in the Manual. Several airlines have filed provisos with IATA requiring sector fares or minimum amounts for a particular sector. Provisos are normally filed by airlines having monopoly on certain routes - specially domestic sectors in most countries.

Proration becomes necessary to determine revenue for individual sectors when the carrier is same but the ticket has multiple sectors or when carriage is on a different airline, to determine carrying airline's share to be billed to the issuing airline.

While prorating, beside PFM, reference must also be made to Airline Prorate Directory (APD) to check the individual requirements of the carriers. The proration is generally done on the following lines -

<u>Sector</u>	<u>Sector Weighted Mileage Factor</u>	<u>Constant</u>	<u>Amount</u>
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In the first column, sectors that are involved in the fare shown on the ticket are written one below the other. In the second column the sector Weighted Mileage Factor (as published in PFM) is shown for each sector and total taken at the end. In the third column, the carriers requiring sector fares and amounts are shown in the currency of the fare shown on the ticket. The fare shown on the ticket is then reduced by total of the amount shown under constant column and balance written against total in the last column. This balance amount is divided by the total of the 2nd column i.e. sector Weighted Mileage Factor Column to obtain 'Quotient'. Each Sector Weighted Mileage Factor shown under 2nd column when multiplied with this quotient, will give the amount of revenue for that sector. Individual revenue worked out for each sector along with the amount in constant column, if any, must tally with the fare collected.

Many airlines bilaterally sign agreements for benefit of both passengers and airlines so that fare is reduced and bilaterally agreed amount is charged to each other thereby reducing fares which benefits passengers as well as airlines due to improved retention and improved load on their services.

### Domestic Revenue

From the Airport and Cargo Department, flight documents (for both passenger and cargo) are received at Timehri Accounts on a daily basis. Manifests, Charge consignment notes, load sheets etc. are also received along with the documents. The flight coupons are checked against the flight manifest and consignment and cargo notes are checked against the cargo manifest to ensure that the relevant details on each document correspond with each other. Total number of passengers on passenger flight manifest and the weight on load sheets is tallied. If there is any discrepancy, clarification must be obtained from Passenger Services Section.

If verification reveals no discrepancy, evaluation of revenue is carried out on flight coupons, excess baggage coupons and on the consignment notes. In case the consignment note is prepared at Ramp, 'trucking' charges may also be involved for transportation cost incurred from Ruimveldt to Timehri which has to be taken as revenue. The total revenue thus evaluated is summarised on a Flight Report. On the basis of the flight reports, domestic revenue book is prepared which is required to be checked and signed by Revenue Accountant. Analysis of domestic revenue is also prepared which is also checked and signed by Revenue Accountant.

### Freight Revenue

Cargo manifests, airwaybill and transfer manifests in respect of outgoing freight documents are received on a daily basis at Timehri Accounts. The incoming freight documents from New York and Miami are received

directly through co-mail by Timehri Accounts.

On receipt of cargo documents, batching is done which involves checking the airwaybills with cargo manifests to ensure accuracy. In case of discrepancy clarifications must be obtained. In case no discrepancy is observed, revenue evaluation on each airwaybill is carried out.

The freight charges may involve one or more sectors on an airwaybill. If charges are for one sector, the full amount is transferred to the respective area. However, in case more than one sector is involved, proration has to be done to ascertain revenue for the particular sector for which the journey has been performed.

To prorate, reference has to be made to the Prorate Factor Manual for cargo to check published factors mileages for all sectors shown on the airwaybill. A total of factors for all sectors should be taken. The factor mileage in respect of the sector of carriage should be divided by the total of factors of all sectors to obtain a percentage. If currency of collection as per airwaybill is other than US\$, 5 day rate as published by IATA should be used to convert the currency into US\$. The percentage obtained above is applied to the amount of the freight collected in US\$ to work out the amount applicable to the sector of carriage concerned. The airwaybill may be 'prepaid' in which case the freight is collected at the station of origin or can be 'charges collect' in which case the freight is to be collected at destination. Appropriate accounting entries are passed accordingly. As in case of passenger revenue, on receipt of the amount towards freight, the amount is credited to Freight Sales Account. As and when the cargo is flown, Freight Sales account is debited and Freight Revenue account is credited.

If other airlines are involved in case of incoming prepaid or outgoing freight prepaid or collect, the respective airlines would be billed for

share of carriage on GAC. All the airlines are billed for revenue after allowing 5% as commissioning charges.

Analysis of cargo revenue is prepared on the analysis of cargo revenue form. As in case of passenger billing, IATA and ACH spread sheet is prepared from the Cargo Revenue Book. ACH recap sheet is prepared from the spread sheet for all ACH airline members and for the IATA Clearing House members, Form 1 (as in case of passenger billing) is prepared.

A copy of Form 1 along with recap sheet is given to Outward Section for dispatch to the Clearing House. The interline air freight invoice is prepared and cross referenced with the spreadsheet. The invoice is also handed over to outward section for dispatch to the Clearing House.

#### IATA & ACH CLEARING HOUSE

The functions of the Clearing House are akin to that of a banking Clearing House. If all airlines were to settle the amount with each other every month, the process would be very complex and time consuming considering the paper work involved and the currencies involved. The Clearing House facility provides airlines with an opportunity to offset dues against each other and net effect of all the debits and credits is either required to be paid to the Clearing House or received from the Clearing House as one amount. On receipt of Form I from all carriers, Clearing House prepares an offset statement for each airline (called Form III) and advises each airline by telex the amount due to or payable by each airline.

If the amount is payable, then the airline has to make remittance within seven days from the advise day. If the amount is not paid on the due date penal interest is charged and if the payment is not made within twenty one days after the call date or due date, the member is suspended from the Clearing House.

All major international airlines are members of the IATA Clearing House based in Geneva. In addition, IATA Clearing House member have got the facility of clearing their dues on those carriers who are members of Airline Clearing House which is based in Washington. Total membership of both the 'Clearing Houses' is over 300 which means membership of one Clearing House affords inter clearance facility with 300 carriers.

#### Non Clearing House Airlines

The interline settlement is done outside the Clearing House as mutually agreed with these carriers who are not members of IATA or American Clearing House. The currency of settlement, the period of settlement and other terms are mutually agreed and the invoice along with documents and statement of account is regularly exchanged. Whenever amount is due to GAC, prompt follow up action should be taken to recover dues.

It is important to note that an airline can be a member of the Clearing House on payment of applicable fee without being a member of IATA as in case of GAC, Cathay Pacific, Singapore Airlines etc. Similarly an airline can be a member of IATA without being a member of the Clearing House as in case of Aeroflot.



**CHAPTER IX**

**Verification of Claims billed by other carriers**

Just as GAC bills other carriers in respect of coupons uplifted of other carrier, it also receives debit invoices from other carriers in respect of documents of GAC uplifted by them.

The Clearing House every month sends a Form III wherein all the debits categorywise viz for passenger transactions, cargo transaction and miscellaneous transactions are listed. Receipt of supporting documents in respect transaction is ensured by ticking the amount in Form III on receipt of the document support. Within a reasonable time if document support is not received, reminder should be sent to the airline concerned. If document support is not received even after a few reminders, the applicable amount should be recharged through the Clearing House.

Claims from airlines are verified in accordance with the following procedure -

- i. To check whether all claims documents are attached to the invoices.
- ii. To check 'endorsement' on the ticket.
- iii. To check validity of the ticket
- iv. To check the correctness of the amount claimed
- v. To check credit status of the ticket when billed on lost ticket basis i.e. in case when the billing airline has lost/misplaced the document support. The documents can be lost while in transit.

Dispute if any arising out of non-compliance with the above is recharged to the airlines through a rejection memo giving reasons for rejection therein.

After completion of verification, a separate allocation is prepared for each carrier for passing journal entries.

Format of Form III is as per Annex XIII.

## CHAPTER X

### Unaccounted Sale/Handling Agency

#### Unaccounted Sales

Sale of a revenue document is not revenue for Guyana Airways Corporation until the passenger utilises the document on services of GAC. Therefore all passenger sales are credited to the Forward Sales Account, and all freight sales are credited to Freight Sales Account. These accounts are maintained yearwise.

The credit to Forward Sales and Freight Sales are squared up by debit from three sources. By utilisation of the document by uplift on GAC i.e. carriage, by refund/reissue (cancellation) and by invoices from other carriers i.e. claims by other airlines for services rendered by them on GAC documents.

All passenger flight coupons, utilised excess baggage coupons, flown consignment notes/Airwaybills, cancelled revenue documents and revenue document claimed by other carriers are required to be matched with the sold document records. Logically for every utilised documents, whether on GAC services, other carriers' services or for refunded documents, a corresponding sale record must be found. In case no sale record is found for a utilised document, such a document is considered unaccounted sale and requires further investigation.

However, while doing checks for unaccounted sale, it is important to include all the relevant sale period since uplifted documents at times are received before receipt of the sales reports especially in case of foreign stations. However, if appropriate sale period is included and even then the document shows as unaccounted, immediate query should be raised with the station of issue, agent or staff concerned.

In this connection, the following precaution should be taken -

- i) if it is observed that there is a frequent break in series in utilisation of the documents or the utilisation itself is very low by any particular agent, a periodical physical verification of the stock with that agent may be carried out.
- ii) whenever agents or stations report loss of blank documents (due to theft etc.) immediate action should be taken to blacklist the blank documents to prevent misuse and early detection in case the same is misutilised.
- iii) any obsolete stock should be destroyed without undue delay after appropriate action and intimation to all concerned.

#### Handling Agency

GAC is handling agent in Guyana for BWIA, Cubana, LIAT, Suriname Airways and Aeropostal. Handling can be traffic handling, ground support and engineering handling. The terms are agreed bilaterally and agreements are signed specifying the services to be rendered and the agency fee payable for the services.

As regards holding of ticket stock of other airline is concerned, the position is as under -

- Cubana Airlines - Ticket stock is held by GAC office
- L.I.A.T. - Ticket stock is held by GAC and the agents of GAC. The agents report sale of documents to GAC.
- Suriname Airways - Ticket stock is held by GAC and agents authorised by Suriname Airways. Sale of Suriname Airways tickets are directly

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reported by the agents to the office of Suriname Airways in Guyana.

B.W.I.A.

No ticket stock is held by GAC. However airwaybill stock is placed with GAC.

Aerpostal

Ticket stock is held by GAC and the agents of GAC. The agents report sale of documents to GAC.

## CHAPTER XI

For airline staff, it is very important to familiarise themselves with terminology which is often used in airline publications and IATA publications. Some of the important terminologies are explained hereunder:

1. Bank Settlement Plan (BSP)

BSP is presently in operation in a number of countries viz USA, South Africa, Japan, Italy, Belgium, Australia, Canada etc. Under this plan, the Agents report their sales to a centralised bank and the bank in turn remits the amount due to each airline along with the audit coupons supported by a listing. In each country, the plan is managed by a Plan Management Committee. The Agents are supplied with standard tickets. The airlines supply the Agents with their identification Plates which are imprinted on the tickets at the time of issue. In respect of tickets issued against credit cards, the Agents send the completed charge form and audit coupons directly to the airline, to enable it to take billing action. The airline must verify the sales report and the amount received therefor. A local debit note or credit note may be required to be raised on the Agent for any additional amount due by or due to the Agent in respect of the sales.

2. Cargo Accounts Settlement System

Like in case of pax sales in some countries viz USA, Japan etc. Cargo Accounts Settlement System (CASS) is operating in respect of cargo sales. Under the system, the Agents report their sales to a centralised agency - settlement office - and the settlement office in turn remits the amount due to each airline along with the Auditor's copy of AWB's supported by a listing. Airlines must verify the sales

report sent by the settlement office and the amounts received therefor.

3. Universal Air Travel Plan (UATP) :

Like credit cards are issued by credit card companies, some airlines are also issuing their credit cards for use by their clients which are called Universal Air Travel Plan.

Normal agency commission is paid to the agents for servicing a passenger when the payment is made by means of a UATP card. The agent must forward a copy of the Transportation Receipt validated by an imprint of the agent's name and the date of issuance. Acceptance of UATP cards by other airlines is not mandatory. The airlines, who are members of the Clearing House, can be billed through the Clearing House in respect of UATP transactions. The invoice must reach the airline within 14 days of the transaction to enable the airline to take billing action on the client concerned. No refund should be made to a passenger against unutilised document issued against a UATP card. A refund order should be issued and forwarded direct to the carrier along with transportation credit form.

4. Five day Rate :

Airline documents are issued in various currencies depending largely on the country of issue. When these documents are used for interline transportation, the various currencies are required to be converted to the currency of billing either through the Clearing House in which case it would be US\$ or UK£ or any other currency bilaterally agreed by the airlines for settlement outside the Clearing House. These rates for conversion are published by IATA Clearing House every month. The rates are based on mean average conversion rate for the five banking days ending on the last Friday of a month at London.

5. Freedom

Various carriers operations through a country are identified as '1st freedom carrier' etc. The terminology is explained hereunder :-

- i) First freedom : Right to overfly a country.
- ii) Second freedom : Right to land for non-traffic purposes (viz. technical halt)
- iii) Third freedom : Right to discharge passenger (cargo uplifted from one's country (example GEO/NYC).
- iv) Fourth freedom : Right to uplift pax, cargo destined to one's country (example NYC/GEO).
- v) Fifth freedom : Right to uplift/discharge pax cargo from/to other countries (example POS/BARBADOS).
- vi) Sixth freedom : Freedom Traffic transitting through one's country (example GAC operating from POS/GEO/NYC).

6. Interline billing on Sampling Basis

Airlines who have a very large volume of transactions every month may bilaterally agree to a system of interline billing on sampling basis. The system has been evolved to save time and reduce rising costs of interline accounting.



The basis of sampling is that characteristics of population can be determined by an actual evaluation of a percentage of that universe picked up at random. As such, an airline need only evaluate a small number (sample) of total billing value to an acceptable degree of accuracy.

In other words, coupons ending with a particular digit (announced by IATA every month) say 7 are sorted and actually prorated. The revenue worked out on these coupons is multiplied by a sampling constant (about 10 times) and the resultant revenue is deemed as the amount payable. This way evaluation on 90% coupons need not be factually done thereby saving time.

7. ATKMs/RTKMs

Many airlines measure their performance as per ATKMs and RTKMs. The terms are explained below :

ATKMs (Available Tonne Kilo Meters)

This is total number of seats offered/available multiplied by average weight of a passenger (70 Kgs. + 20 Kgs in Ey and 30 Kgs in 1st Class) multiplied by distance flown. This product is known as ASKMs or Available Seat Kilo Meters. To this figure is added the total freight capacity available multiplied by distance flown. This total is called ATKMs which means the total capacity available.

RTKMs (Revenue Tonne Kilo Meters)

This is worked out by finding the total capacity actually utilised. The total number of seats utilised multiplied by average weight of passengers multiplied by distance

flown gives us PTKMs or Passenger Tonne Kilo Meters. To this figures is added cargo carried in tonne with distance flown which gives CTKMs or Cargo Tonne Kilo Meters. This is called RTKM which means the total capacity actually utilised.

RTKM divided by ATKM x 100 gives load Factor.

Annexure I

GUYANA AIRWAYS CORPORATION  
REVENUE DOCUMENTS STOCK REGISTER

<u>Date</u>	<u>Receipt</u>	<u>Invoice Number</u>	<u>Issues</u>	<u>I.R. No.</u>	<u>Quantity</u>	<u>Rec'd By</u>	<u>Issued By</u>	<u>Date Issued</u>	<u>Location</u>	<u>Balance</u>
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Annexure VIII

GUYANA AIRWAYS CORPORATION

SEQUEL NO.: .....

TICKET NO.

TICKET NO.

01	51
02	52
03	53
04	54
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41	91
42	92
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44	94
45	95
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47	97
48	98
49	99
50	100



DATE: 03-11

PAGE: 1

ANNEXURE X

GUYANA AIRWAYS CORPORATION  
ANALYSIS OF INTERNATIONAL PASSENGER AND EXCESS BAGGAGE REVENUE  
ROUTE: FEBRUARY, 1959

NO	A/C TYPE	NUMBER OF PASSENGER	P A S S E N G E R		B A G G A G E		E X C E S S	E T I C A T I O N	T O T A L	E X C E S S	I . S . C	E T I C A T I O N								
			W/E	TOTAL	W/E	TOTAL							W/E	TOTAL						
0-707	40	3	1070	727	1054	2,192,289.36	10,234,715.25	5,137,497.00	0.00	37,584,381.55	197,309.31	17,367,918.21	650/ATC							
0-707	51	11	1824	132	1710	3,740,169.10	1,745,067.00	10,216,954.20	0.00	15,782,190.30	336,615.23	16,214,732.47	ATC/CEO							
0	99	20	2894	859	3312	5,932,458.46	11,979,782.25	15,354,451.20	0.00	53,366,571.85	533,924.54	33,582,650.68								
0-707	5	3	119	122	255	599,200.45	1,500,820.20	232,615.00	0.00	2,313,011.71	53,934.16	2,169,077.55	650/ATC							
0-707	5	3	137	54	199	665,343.51	665,169.00	560,771.41	0.00	1,677,283.92	76,006.92	1,938,454.00	ATC/CEO							
0	0	14	256	176	454	1,444,611.96	1,666,097.20	691,386.41	0.00	3,990,295.63	130,941.00	3,995,731.53								
0-707	0	3	103	94	210	0.00	918,715.29	1,200,120.36	0.00	2,284,035.65	0.00	2,284,035.65	650/ATC							
0-707	0	1	310	21	330	0.00	242,070.41	2,572,983.96	0.00	2,815,774.37	0.00	2,815,774.37	ATC/CEO							
0	0	14	6	173	115	0.00	1,219,505.70	3,881,024.32	0.00	5,000,610.02	0.00	5,000,610.02								
05-740	0	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	650/POS							
05-740	0	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	650/POS/CEO							
0	0	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00								
05-740	0	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	650/ATC							
05-740	0	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	650/POS/CEO							
0	0	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00								
			121	40	3323	1150	4634	7,377,000.44	15,003,465.21	19,816,971.93	0.00	42,237,477.58	3,282.32	6,200.00	1,075,206.00	0.00	1,004,608.32	43,227,005.90	663,933.64	42,858,152.26

GUYANA AIRWAYS CORPORATION  
PREPARED BY: [Signature]  
CHECKED BY: [Signature]





Annexure XIII

INTERNATIONAL AIR TRANSPORT ASSOCIATION  
CLEARING HOUSE

03APR90

PAGE 1  
MONTH OF FEBRUARY 1990

CLAIMS AGAINST: 206-GY GUYANA AIRWAYS CORP.

CODE	DEBITS					TOTAL	CREDITS	BALANCE
	PASS.	UATP	CARGO	MISC.				
005-CO	0	0	0	0	0	0	36,957	36,957 CR
007-EA	1,109	0	0	146	0	1,255	7,368	6,113 CR
018-CP	42	0	283	0	0	325	0	6,325 DR
026-PA	2,640	0	0	218	0	2,858	9,778	6,920 CR
042-RG	0	0	172	0	0	172	6,028	5,856 CR
044-AR	0	0	577	0	0	577	0	5,279 CR
053-EI	0	0	0	0	0	0	0	5,279 CR
055-AZ	0	0	0	39,877	0	39,877	1,260	38,617 DR
057-AF	0	0	0	0	0	0	1,027	1,027 CR
074-KL	3,100	0	0	0	0	0	213	213 CR
098-AI	0	0	0	0	0	3,100	2,084	1,016 DR
102-TN	0	0	0	0	0	0	1,151	1,151 CR
115-JU	159	0	0	0	0	0	166	166 CR
125-BA	656 CR	0	191	0	0	159	0	1,159 DR
131-JL	0	0	46	0	0	465 CR	4,231	4,696 CR
134-AV	0	0	41	0	0	46	32	14 DR
136-CU	0	0	0	0	0	41	54	13 CR
169-OZ	0	0	78	0	0	0	306	306 CR
214-PK	3,192	0	0	0	0	78	0	78 DR
220-LH	0	0	402	0	0	3,192	0	3,192 DR
706-KO	90	0	0	0	0	402	2,796	2,394 CR
749-DC	0	0	0	0	0	90	0	90 DR
954-XB	0	0	87,783	0	0	87,783	2,501	85,282 DR
			0	265	0	265	0	265 DR
<b>TOTAL</b>	<b>9,676</b>	<b>0</b>	<b>89,573</b>	<b>40,506</b>		<b>139,755</b>	<b>75,952</b>	<b>63,803 DR</b>

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PART III  
TRAINING MATERIAL  
N.U.C. & WEIGHTED MILEAGE SYSTEM

CHAPTER I

BACKGROUND

Two very major changes were introduced by IATA in the Airline Industry in the year 1989. First F.C.U. (Fare Construction Unit) based system of fare construction, which had been in practice since early seventies was replaced by NUC (Neutral Units of Construction) based system of fare construction with effect from 1st July, 1989. Second, FCU based system of dividing interline revenue was replaced by weighted Mileage Factor System with effect from 1st September, 1989.

N.U.C. SYSTEM :

As mentioned above, since early seventies the fares were established in FCU's for each sector and these FCU's were published in PFM (Pax) i.e. Prorate Factor Manual. These F.C.U's were U.S.\$ fares which were frozen on a particular date in early seventies. To arrive at local fares at the current value, FCU's were required to be multiplied with fixed relevant rate of exchange (O21 B rate) and further with currency applicable to the area concerned. These rates were available in the various publications viz. PFM etc., of IATA (which is updated quarterly) and the airlines could calculate ALF (applicable local fare) by converting FCU's into local currencies.

This system grew complex over the years due to frequent fluctuations of currency exchange rates. Moreover, revision of the rate of currency surcharge was under control of the various respective government agencies and sometimes would not



reflect the real value of the currency. Airlines based in hard currency zones grew restive and have been instrumental in replacing FCU system with NUC system.

Under the NUC system all the local fares are published in the currency of their respective countries viz. BOM/LON in India Rupee LON/NYC in UK £ NYC/TYO in US \$ and so on. These local fares can be converted to a common unit called NUC by dividing local fares by a rate of exchange published by IATA. This rate is revised quarterly by IATA i.e. effective 1st January, 1st April, 1st July and 1st October. This rate can be revised within the quarter also in case the variation in the value of the currency is more than 10% within the quarter. The rates are published as NUC equivalent of each currency which in fact is US\$ equivalent value of each currency. Therefore each NUC is equal to one US\$ and hence in respect of the countries which publish their fares in US\$, NUC's and fares reflect the same figures against the sectors published by IATA.

With the introduction of NUC system, FCU's, 021B resolution rate, currency surcharge have been abolished and are no longer available in IATA publications.

It is to be noted that with introduction of NUC's the basic fare structure has not changed. In other words, local fares for various sectors as on 30th June, 1989 which were also expressed in terms of FCU's are now being expressed in terms of NUC's by dividing the local fare with the rate of exchange published by IATA. Travelling public therefore is not affected by this change in the industry except of course in marginal cases where the local governments/airlines have filed new fares effective 1st July, 1989 either in the normal course or to get a better deal under the new system.

From the foregoing it logically follows that NUC's for each sector will change every quarter due to exchange rate variation of US\$ to the respective currencies and also due to change in local fares wherever applicable.

Further, earlier FCU's to the same sector whether inbound or outbound were the same whereas under the NUC system, LON-NYC NUC's would be different from NYC-LON NUC's.

#### WEIGHTED MILEAGE FACTOR SYSTEM

Until 30th June, 1989 FCU's were being published in PFM by IATA and were the basis for sharing the interline revenue. However, with abolition of FCU's effective 1st July, 1989, the base for sharing interline revenue was lost and hence a new method had to be found out. At a special prorate meeting of the airlines held at Bangkok in May, 1988, the industry agreed to use Weighted Mileage Factor System for sharing interline revenue. Under this new proration methodology IATA with assistance of ICAO (International Civil Aviation Organisation) has worked out factors (or ratios) for each city pair. These factors are the mileages between city pairs but have been weighted with cost indices in the respective areas as per a formula which has also been published for information of all concerned.

The airlines agreed to share interline revenue as per old FCU's for the interim period of July and August, 1989. However, it was decided that effective 1st September, 1989, Weighted Mileage Factors would be the only system used for sharing interline revenue and hence for signatories to APD (Airline Prorate Directory) there is no choice but to use Weighted Mileage Factor System.

For non-signatories to APD also it would be advisable to follow W.M.F. System for the sake of compatability. In any case FCU's are no longer being published and hence interline billing based on old FCU's would be out of tune with the industry practice.

## CHAPTER II (DEFINITION)

To understand basic fare construction rules and to understand proration rules, it is important to clearly know the exact meaning of various terms which are used in fare construction and proration. Some important definitions are listed hereunder.

NUC : Neutral Units of Constructions which is used for fare construction.

ROE : It is a rate which is established by the IATA Clearing House based on the rate of exchange at London ending on a particular day (pre-determined). This rate changes every quarterly on 1st January, 1st April, 1st July and 1st October. ROE is used to convert local currencies into NUC's and vice versa.

NORMAL FARE :

The full fare established for the applicable class of service.

SPECIAL FARE :

Special fare means other than normal fare which is established to promote traffic on a particular route. Normally this fare has limited validity and also has travel restrictions.

THROUGH FARE :

The total fare from point of departure to point of destination.

PUBLISHED FARES :

The fare that is published by a carrier in its tariff between two points.

**CONSTRUCTED FARES :**

A fare that is constructed as per IATA rules when the same is not available in the publications.

**BASIC FARE :**

Basic fare in either US\$ or UK£ depending in IATA Area 1, 2, or 3.

**ADD-ON FARES :**

Fares that are published in 'separate section' of Air Tariff for using in conjunction with published fares in the Tariff.

**STOPOVER POINT :**

It is an intermediate ticketing point where the passenger makes a deliberate halt agreed in advance by the carrier. If at a connecting point there is no flight within 24 hours of a passenger's arrival, such connecting points are also considered stopover points.

**TRANSFER POINT:**

It is a ticketed point which involves a change of carrier, change of flight or change of class within 24 hours of a passenger's arrival at that point.

**EXCHANGE ORDER OR MCO (Miscellaneous Charges Order) :**

It is a document issued by an airline or by an agent requesting issue of a ticket or provision of services to a person named in the document.

**INCLUSIVE TOUR :**

it is a travel plan under which return transportation is sold along with other ground facilities like hotel, meals, surface transport etc.

**PREPAID TICKET ADVICE (PTA) :**

It means the notification by telex, issue wire or mail that a person in one city has requested for issuance of prepaid transportation as mentioned in the notification to a person in another city.

**TARIFFS :**

It means the published fares, rates changes and or related conditions of carriage of a carrier.

**CONJUNCTION TICKET :**

It means a ticket issued to a passenger concurrently with another ticket or tickets which together constitute a single contract of carriage.

**SITI (Sale Inside Ticket Inside) :**

Transaction when a ticket sold in the country of commencement of travel and also issued inside such country of commencement of travel is called SITI transaction.

**SOTI (Sale Outside Ticket Inside) :**

Transaction when a ticket is sold outside the country of commencement of travel but is issued inside such country of commencement of travels is called SOTI transaction.

**SITO (Sale Inside Ticket Outside)**

Transaction when a ticket is sold inside the country of commencement of travel but is issued outside the country of commencement of travel is called SITO transaction.

**SOTO (Sale Outside Ticket Outside) :**

Transaction when the ticket is sold and issued outside the country of commencement of travel is called SOTO transaction.

## PRORATION

### CHAPTER III

#### What is proration ?

Proration is prorationate division of through fare between two or more sectors and/or participating carriers.

#### WHY IS PRORATION NECESSARY ?

Proration is necessary to determine revenue for individual sectors when the carrier is same and when carriage is on a different airline to determine carrying airline's share to be billed to issuing airline.

#### WHAT IS BASIS OF PRORATION ?

Apportion through fare among sectors or carrying airlines in proportion to prorate factors (FCU's till 30th June, 1989) either NUC's or Weighted Mileage when entire travel on one's own carriers and Weighted Mileage Factor when travel involves other carriers - corresponding to class of travel and period.

#### WHAT ARE THE GUIDELINES FOR PRORATION ?

The guidelines available are -

1. Airlines prorate Directory (APD) which contains multilateral proration agreement and provisos and requirement of carriers.
2. Prorate Factor Manual (PFM).

In addition, the carriers may sign bilateral special prorate agreements with other carriers which have to be taken into account while prorating.



**WHAT ARE PROVISOS/REQUIREMENT ?**

It is a specific fare demand for a particular sector by a signatory or a non signatory to MPA (Multilateral Prorate Agreements). These are normally filed by Carrier having monopoly on certain routes - specially domestic sectors in most countries and international sectors between gulf countries etc.

**HOW PROVISOS AFFECT PRORATION**

From the through fare, you have to reduce the proviso amount and the balance amount is required to be distributed over other sectors/carriers.

**WHAT ARE SPECIAL PRORATE AGREEMENTS:**

Bilateral agreements that are entered between two carriers for benefit of both passengers and airlines so that 'add on' fare is reduced and agreed amount is charged to each other thereby reduced fares which benefits passengers as well as airlines due to improved retention and improved load on their services.

**HOW IS PRORATION DONE**

The Proration is generally done on the following lines :

**Sector** : In the first column, sectors which are involved in the fare shown on the ticket are written one below the other.

**Carriers** : In the second column, carriers which are involved in the trans proration on the ticket are written one below the other - against their respective sectors.

**Ratios** Sector fares in respective ratios to be used (FCU's till 30th June, 1989) NUC's or Weighted Mileage Factors are written against each sector except for the sectors where sector fare as per proviso/requirement is required to be paid.

**Constant Value** In this column, proviso/requirement value is entered against the corresponding sectors.

**Prorated Value** In the total column of this table, the total fare collected is entered which after reduction of constant value mentioned above, is 'prorated' in the remaining sectors by dividing with the total of Ratio Column. This result is known as 'Quotient' and when applied to each 'ratio' value gives prorate value of the respective sectors.

The following example will make the understanding clear.

A passenger has a through ticket from New York to Colombo. He travels New York/London on Air India, London/Rome on Alitalia and Rome/Delhi on Air India. He further travels from Delhi to Madras on Indian Airlines and Madras to Colombo in Indian Airlines for which IC (Indian Airlines) has a fixed proviso of US\$162 (DEL/MAA) and US\$78 (MAA/CMB). The ticketed fare is US\$1485.

Please prorate the ticket as per (a) FCU method (b) NUC method and  
(c) Weighted Mileage Factor Method.

Please note that FCU's were available in PFM till 30th June, 1989. NUC's are available in Air Tariff and Weighted Mileage Factors are available in PFM published by IATA.

Please also note that the figures used in the example are for illustrative purpose only. Actual figures can be obtained from the IATA Publications referred above.

(a) FCU Method

<u>Sector</u>	<u>Carrier</u>	<u>Sector Fare in FCU</u>	<u>Proviso Amount in US\$</u>	<u>Fare in US \$</u>
1	2	3	4	5
NYC/LON	AI	638		416
LON/ROM	AZ	464		303
ROM/DEL	AI	806		526
DEL/MAA	IC		162	
MAA/CMB	IC		78	
TOTAL		1908	240	1485
				- 240
				<u>1245</u>

$$1245 \div 1908 = 0.6525 \text{ Quotient}$$

$$638 \times 0.6525 = 416$$

$$464 \times 0.6525 = 303$$

$$806 \times 0.6525 = 526$$

$$\underline{1245}$$

Note: FCU method discarded effective 1st July, 1989 by IATA Industry

(b) NUC Method

<u>Sector</u>	<u>Carrier</u>	<u>Sector Fare In NUC</u>	<u>Proviso Amount in US\$</u>	<u>Fare in US\$</u>
1	2	3	4	5
NYC/LON	AI	808		504
LON/ROM	AZ	355		221
ROM/DEL	AI	834		520
DEL/MAA	IC		162	
MAA/CMB			78	
		1997	240	1485
				- 240
				<u>1245</u>

$$1245 \div 1997 \text{ Quotient is } 0.6234$$

$$808 \times 0.6234 = 504$$

$$355 \times 0.6234 = 221$$

$$834 \times 0.6234 = 520$$

$$\underline{1245}$$

(c) Weighted Mileage System

<u>Sector</u> 1	<u>Carrier</u> 2	<u>W.M.Factors</u> 3	<u>Proviso Amount in US\$</u> 4	<u>Fare in US\$</u> 5
NYC/LON	AI	4238		490
LON/ROM	AZ	1896		219
ROM/DEL	AI	4641		536
DEL/MAA	IC		162	
MAA/CMB	IC		78	
		<hr/>	<hr/>	<hr/>
		10775	240	1485
				- 240
				<hr/>
				1245

$$\frac{1245}{10775} = 0.1155 \text{ Quotient}$$

$$4238 \times 0.1155 = 490$$

$$1896 \times 0.1155 = 219$$

$$4641 \times 0.1155 = \underline{536}$$

$$\underline{1245}$$

It is to be noted that different methods of proration used above are giving different prorate values for the respective sectors. It is also to be noted that individual provisos and requirements of a carrier are not affected by different methods of proration and are as such protected.

**CHAPTER IV**

**TICKETING**

A very intelligent approach is required while ticketing to enable a passenger to have the advantage of getting the cheapest fare, within the permitted rules and to obtain the benefit of the most suitable mileage for the outbound and inbound routings.

First thing to check while ticketing is to see if the passenger's routing can be accommodated in the Maximum Permitted Mileage (MPM) and the rules, if any, against a published through fare.

For example, a passenger wishes to travel in 'Y' class as per the following routing

BOM	
ROM	AI
FRA	AZ
CPH	LH
HEL	SK

To quote the fare for this routing, check -

<u>Type of journey:</u>	One Way
<u>Published Fare:</u>	<u>'Origin' to 'Destination' :</u> BOM/HEL
<u>Note</u>	: <u>Global Indicator and MPM</u> NUC 1079.58
<u>Study</u>	: Fare Rule if any EH/6111

Calculate the total Ticketed Point Mileages (TPM)

BOM	
ROM	3840
FRA	598
CPH	422
HEL	555
	5415
	6111

Since the TPM is within MPM, we charge BOM/HEL fare as NUC 1079.58. Since the journey is commencing from Bombay, we convert nuc into Indian Rupee (INR) which at a NUC to INR rate of 16.5000 (ROE) works out to INR 17813.07 or rounded up INR 17813.

Please note that beside quoting the amount in fare, NUC's along with the rate is also required to be mentioned on the ticket.

In the above example, TPM was within MPM. However, in many cases TPM's can exceed MPM's. In that case look for Extra Mileage Allowance (EMA) which is permitted for travel between certain areas of the world.

For example, a passenger wishes to travel in 'C' class as per the following routing :-

SFO	
HNL	JL
TYO	JL
MNL	JL
HKG	PR
BOM	A1

Type of journey: One Way

Published fare 'origin' and 'destination': SFO/BOM  
NUC 1511.00

Note: Global Indicator and MPM PA/ 11197

Study: Fare Rule, if any: Rule P0100 (Conditions met)

Calculate total TPM:

SFO	
HNL	2397
TYO	3831

: 133 :

	MNL	1879	
	HKG	702	
	BOM	2673	
		<hr/>	
		11482	11197
Deduct Extra Mileage Allowance		800	Via HNL
		<hr/>	
		10682	11197

Since the reduced TPM is within MPM we charge SFO/BOM fare as NUC 1511.00 which means US\$1511.

Let us take example of a return journey: A passenger wishes to travel in 'Y' calss as per the following routing -

OSA	
TPE	JL
BKK	TG
DEL	AI
BOM	1C
HKG	AI
OSA	JL

Type of journey            Return

Point of Turnaround        BOM

Published Fare (using 1/2 rate fare) OSA/BOM: NUC 1520.40 'Origin' to 'Point of Turnaround'.

Note: Global Indicator & MPM:            G1/MPM:    EH/5061

Study : Fare rule, if any                NIL

Calculate TPM:	<u>Inbound</u>		<u>Outbound</u>	
	OSA		BOM	
	TPE	1075	HKG	2673
	BKK	1555	OSA	1545
	DEL	1815		<u>4218</u>
	BOM	708		5061
		<u>5153</u>		
				5061
Deduct Extra Mileage Allowance		700	(Via DEL)	
		<u>4453</u>		5061

Now TPM for both Inbound and Outbound journey are within MPM. Hence we charge OSA/BOM/OSA return fare as NUC 1520.40 + NUC 1520.40 = 3040.80. Since the journey is commencing from OSA, we convert NUC into JYE which at a NUC and JYE rate of 136.07 (ROE) works out to JYE 413761.66 or rounded up JYE 413770.

It is to be noted that the principle involved in calculating the fare for a return journey is the same as in the case of oneway journeys. However, for return journeys, you have to check the fare from the 'origin' to the point of Turnaround. While, geographically, farthest point away from the origin is the 'point of turnaround' very often, on certain routings more than one such 'point of turnaround' can be seen. In such cases, you have to check the MPM's from the 'origin' to all the 'points of turnarounds' on the routing and the one which gives the greatest MPM becomes your 'point of turnaround'.

#### ADD ON AMOUNT

When a through fare is not published in the tariff, the fare can be obtained by adding the 'add-on' amount to a 'published fare'. The fare thus obtained must now be treated as the 'published fare' between two such points. In some cases, add on amounts have been published only in the local selling currency. In such cases, local currency can be easily converted to NUC's



by using the ROE. In any case, if add on amount is published in USD, the same can be treated as NUC since each NUC is equal to one US dollar.

For example, a passenger wishes to travel in 'Y' class as per the following routing.

BKK	
BOM	A I
NBO	A I
MBA	KQ

Type of journey: One way

Published fare 'origin' to 'destination' : not available

Note: Global indicator and MPM : EH/5948

Study : Fare Rule if any: NIL

Since BKK-MBA fare is not published in the 'through fare' section, we have to use add on fare:  $MBA/NBO = 40.68 + NBO/BKK = 639.24 = NUC 679.92$

Now calculate the total TPM's

BKK		
BOM	1871	
NBO	2820	
MBA	266	
	<hr/>	
	4957	5948

Since the TPM is within MPM, we charge the BKK/MBA fare as NUC 679.92. Since the journey is commencing from BKK, we convert NUC into BHT which at NUC to BHT rate of 25.53 (ROE) works out to BHT 17358.35 or BHT 17360.

Sometimes, passenger routing is such wherein 'add on' amount is required to be added before as well as after the 'published fare' to obtain through fare. For example, a passenger wishes to travel in 'Y' class as per the following routing:

: 136 :

MBA	
NBO	KG
BOM	AI
DEL	AI
JAI	IC

Type of journey : One way

Published fare 'origin' to 'destination' : Not available

Note : Global indicator and MPM : EH/4383

Study fare rule, if any Nil

Pick 'add on' fare from add on pages :

$$\begin{aligned} \text{MBA/NBO} &= 40.68 + \text{NBO/DEL} = 393.61 + \text{DEL/JAI} \\ &= 27.90 = \text{NUC } 462.19 \end{aligned}$$

Now calculate the total TPM's:

MBA	
NBO	266
BOM	2820
DEL	708
JAI	145
	<hr/>
	3939
	4383

Since the TPM is within MPM we charge MBA/JAI fare as NUC 462.19.

Since the journey is commencing from MBA, we convert NUC into KES which at NUC to KES rate of 18.2056 (ROE) works out to KES 8414.44 or KES 8415.

Regarding add on fares, the following important notes must be remembered:

- I. Higher class add on amount must not be added to lower class add on and vice versa.
- II Add on amount should not be sold as sector fares.

- III Total sum of published fare and add on amount must be shown as one fare amount on the ticket.
- IV If round trip add on amount is not published, the round trip add on amount is twice the one way add-on amount.
- V To make concept further clear, remember -
- |     |                                   |               |
|-----|-----------------------------------|---------------|
| (a) | Add on and Published              | permitted     |
| (b) | Published and add on              | "             |
| (c) | Add on and Published and add on   | "             |
| (d) | F class/Y class + F class/Y class | "             |
| (e) | Add on and Add on and Published   | not permitted |
| (f) | Published and Add on and Add on   | "             |
| (g) | F + Y                             | "             |
| (h) | Y + F                             | "             |

**Holding Rule:**

At this stage, it is also pertinent to remember E 852 Holding Rule which says that 'constructed fare' after adding add on to published fare can be any amount as long as this fare is less than the published fare, if the mileage of constructed fare itinerary is less than the mileage of published fare itinerary. It is logical since for less mileage, a passenger should not pay more fare.

## CHAPTER V      ADVANCED TICKETING

The first four chapters more or less cover the guidelines as regards proration and fare construction requirement of Guyana Airways. The rules contained in this chapter are relevant mostly in case of long-haul ticketing involving multi sectors. However, in an airline industry it is important to have working knowledge of these rules. Further, knowledge of these rules will enable ticketing staff and accounting staff to comprehend the tickets issued by the other carriers for long haul multi sectors. As such, these rules are briefly discussed hereunder. (To understand terminology used, please refer to Chapter II of definitions)

### HIGHER INTERMEDIATE FARE RULE

When a fare worked on mileage on oneway or 1/2 return basis - if there is a fare between any two points on the route which is higher than the two terminal points, such higher fare shall apply. There can be cases wherein more than one higher fares are available in that case the highest higher intermediate fare will be applied, subject to the following:

- (a) If a ticket is issued inside the country of travel i.e. for SITI & SOTI transactions, the HIP check (Higher Intermediary Point) will apply only to stopover points.
- (b) If a ticket is issued outside the country of commencement of travel i.e. for SITO & SOTO transactions, the HIP will apply to all ticketed points irrespective of whether such points are stopover points or transfer points.

There is a chapter in your Air Tarrif on Fare Construction Rules that deals with the Higher Intermediate fare rule.

In case of necessity, reference may be made to this chapter for details.

### CIRCLE TRIP RULE

Circle trip means travel other than round trip from one point and return to the same point by a continuous circuitous air route. When no reasonable scheduled air services are available between points - a break in the circle trip may be travelled by any other means of transportation. This break in journey does not affect the nature of the circle trip journey.

In other words, where the out bound and inbound routings are different and the outbound fare is not equal to the inbound fare, the journey will be a circle trip journey

For constructing a fare for a circle trip journey, charge the applicable combination of half round trip fares calculated from the point of origin in the direction of the passenger's travel, however, for the last fare component into the country of origin, the fare applicable to such fare component will be from the country of origin.

The total fare thus arrived at should not be less than the highest direct route round trip fare between the origin and any stopover point on the routing, including all points on the routing for which a side trip fare has been charged. Please note that the circle trip minimum check will apply to all the four transactions i.e. SITI/SOTI/SITO and SOTO.

### BACKHAUL RULE

Before understanding back haul rule, it is important to familiarise with the following definitions:

#### OPEN JAW TRIPS:

Consists of travel which is essentially of a round trip nature with the exception that either:

- (a) the outward point of the departure and inward points of arrival are not the same.

- (b) the outward point of arrival and the inward point of departure are not the same.
- (c) both outward and inward point of arrival and departure are not the same.

### OJO

When the fare for an 'open jaw' journey is constructed using one way fares, the journey is called an OJO.

One way fares are used for OJ journeys when the return is not to the country of origin or the return is not from a point in the country of turnround.

### OJR

When the fare for a 'open jaw' journey is constructed by using 1/2 RT fares, the journey is called an OJR. 1/2 rt fares are used for OJ journeys when the return is either back to the country of origin or from a point in the country of turnround.

### BACKHAUL RULE

Having established the fare for a 'oneway' journey in accordance with normal fare construction rules, including the 'higher intermediate fare rule' where applicable a separate calculation taking into account direct fares from the point of origin to all en route stopover points must be made for the journey. For this calculation any mileage deviation is to be ignored.

### ONE-WAY BACKHAUL RULE

1. The "backhaul" check will apply to one way OJO journeys.
2. The 'backbahul checks will apply only from the fare origin.
3. The 'backhaul check' needs to be applied only if the fare from the fare- origin to an intermediate stopover point is higher than the fare from such fare origin to

the fare destination point (i.e. the terminal points in each fare segment.

A 'oneway' journey is any journey which for fare calculation purposes is not a complete round or circle trip journey entirely by air. For one way journey there is a minimum fare applicable.

We are required to work out the minimum fare and then compare this minimum fare with the fare arrived at on the mileage principle. We are required to raise the constructed fare to the level for the minimum fare in case it is less than the minimum fare. Otherwise constructed fare is to be charged.

The minimum fare is termed as 'the backhaul minimum fare'.

#### INTERRUPTED TRAVEL - ONEWAY JOURNEYS:

For oneway 'journey' travelled partly by air and partly by surface, the fare will be calculated as follows :

Either sectional fares for the portion travelled by air or through fare from origin to destination including the unflown sector, Charge the lower of the two combinations. This applies to all constructions for all transactions, i.e. SITI/SOTI/SITO/SOTO.

#### OJO & OJR Journeys

For journeys which are incomplete round trip or circle trip 3 fare combinations are possible -

- a) Sum of two one way fare (.half RT fares for OJR journeys) - treating the outbound and inbound routings as two one way journey.

- b) Round or circle trip fares - treating the unflown sectors as if travelled by air.
- c) Round or circle trip fare for the portion of the journeys travelled twice + once way fare for the portion of the journey travelled once (for OJR journey use 1/2 RT fares)

Compare combinations a, b & c charge the cheapest of these three combinations.

### LOWEST COMBINATION OF SECTIONAL FARES

When travel is not permitted at the through fare i.e. when the total TPMS (Ticketed Point Mileages) exceed the MPM (Maximum permitted Mileages), a fare lower than the surcharged fare could be arrived at by using the 'lowest combination' of sectional fares.

However the total constructed fare arrived at as a sum sectional fares - must not be lower than the applicable published fare from 'fare origin ' to 'fare destination'.

### MIXED CLASS TRAVEL

When a passenger travels partly in 'Y' class and partly in F class, the fare to be charged will be a combinations of -

The applicable through 'Y' fare between origin and destination, plus the difference between the applicable F fare and the corresponding applicable 'Y' fare for the portions of the journey on which F class service is used. OR The applicable through F fare from the origin to the destination.

### REROUTINGS

When a change in the routing is requested by the passenger, it is termed as "Voluntary Rerouting" and when a change is forced upon



the passenger due to reasons beyond the control of the Carrier, it is termed as "involuntary" rerouting. Normally, it will be necessary to recalculate the fare & reissue the passenger ticket which may result in equal fare for revised routing, less fare than the original fare or more fare than the original fare. Appropriate action accordingly is required to be taken.

### REFUNDS

Refunds for partly used tickets will be assessed as follows:

- (a) Refunds will be assessed in the currency of country of commencement of transportation.
- (b) The fare for the journey travelled will be assessed using the fare applicable at the time of commencement of transportation and the IATA Rate of exchange applicable at the time of the original transaction.
- (c) When original payment has been made in a currency other than the currency of the country of commencement of transportation, refunds in the same currency as originally tendered will be made at the exchange rate used for the original payment.
- (d) Refunds other than outlined in paragraph (c) will be made at the bank rate in effect on the date of the refund.

PART IV

COMPUTERISATION OF REVENUE ACCOUNTS

Computerisation of revenue accounts in Guyana Airways should be done with a view not only to get the existing statements in computerised form but also to get additional information for Management information and prompt decisions.

The following objectives should be kept in mind while computerising revenue accounts in Guyana Airways.

- a) prompt availability of revenue figures for Management reporting.
- b) to provide each station with figures of monthly revenue earned by them for comparison with targets.
- c) timely billing to other carriers for their coupons uplifted on GAC.
- d) to make commercial statistics available to various agencies for prompt Management decisions.
- e) automated verification of other carriers billing on GAC.
- f) early detection of unreported sale and corrective action
- g) efficient Management of Forward Sales & Freight Sales Account.
- h) to cater to future expansion.

1. Ticket Stock Control

Control of tickets in stock (Main Office)

MONTHLY INPUT New Tickets: (i) Opening Balance  
Date of Receipt  
Ticket No. from..... to.....  
Quantity

: 145 :

ii) Issue to .....Station/Agent.

Date of Issue

Ticket No. From ..... To .....

Quantity

iii) Reported sold by Station/Agent

Date of Report & No. of Report

From ..... To .....

Quantity

**MONTHLY OUTPUT**

Ticket Stock by Location (Main Office & Other Location)

i) Name of Station/Agent

Opening Balance

Receipts during the month

Issues during the month

Closing Balance

Note:

a) To check break in series while reporting by Agents/Stations if any

b) To check if unduly large ticket stock held by any Agent/Station

**2. SALES AUDIT PROCESSING**

INPUT

a) All Sales Reports received from Agents and Stations to be keyed in as per the following format:-

Name of Agent/Station	Date/Month	Reference of Report
1	2	3
Currency	Cash	Credit
4	5	6
Total	Credit FSA	Credit Tax
7	8	9

- b) All audit coupons to be batched under a batch slip as per the following format:-

Name of Agent/Station (1)	Date/Month (2)	Reference of Report (3)
Batch No. (4)	No. of Coupons (5)	Total Value of Coupons (6)

- c) MCOs/Excess Baggage Tickets to be dispatched under a separate batch slip (Computer to punch value of MCOs and convert into GY\$ in case of MCOs issued in foreign currency)

- d) Refunds/Cancelled documents of Pax, MCO, EBT etc., also to be dispatched to Computer in monthly batch slips with control totals.

e) it is better to enter all documents received from Stations in a register and totalled which must tally with the total for the month dispatched to the Computer.

- f) Data entry from sales audit coupon for preparation of FSA tape

- |   |   |
|---|---|
| 1. Ticket Number                                    | 2. Coupon Number  |
| 3. Value of Ticket                                  | 4. Value of each coupon<br>(under primary coupon concept) |
| 5. Sector   | 6. Fare basis   |
| 7. Carrier (in case<br>closed on)<br>other carrier) | 8. Class of Travel  |
| 9) Month/Year of Sale                               | 10. Conjunction ticket reference                          |
| 11) Ticket designator                               | 12. T.V. Tax  |
| 13) Validity of the<br>coupon period                | 14. AOS (Station of Issue)                                |
| 15. Batch Number                                    | 16. Currency  |
| 17. Form of Payment                                 |   |
| i) Cash   |   |
| ii) Credit Card Co. (name, amount and card number)  |   |

- iii) Reissue - ticket no, reissue coupons, tax coupons, carrier, value
- iv) PTA ticket no., PTA Coupon, Value, Carrier
- v) MCO Ticket No. MCO coupon, Tax coupon, carrier.
- vi) Charge - Pattname, fare, T.V. Tax, other charges, charge order number, Account no.

**OUTPUTS**

- (a) Forward Sales Report as per the following format  
(in running ascending order)

Ticket No. (1)	Coupon No. (2)	Name of Agent/Station (3)	
Sector (4)	Ticket Value (5)	Coupon Value (6)	Form of Payment (7)

- (b) Report of Refunds/Cancellation

Ticket No. (1)	Coupon No. (2)	Name of Agent/Station (3)	
Sector (4)	Ticket Value (5)	Coupon Value (6)	For of Payment (7)

- (c) Detail of credit card billings

- i) Credit Card Company
- ii) Credit Card Number
- iii) Date
- iv) Ticket Number
- v) Name
- vi) Amount

- (d) Details of Charge Sales

- i) Company Name
- ii) Company Account Number

- iii) Date
- iv) Passenger Name
- v) Ticket Number
- vi) Charges - fare, T.V. Tax, Other Charges.
- vii) Total

(e) Ticket Sales Summary By Fare Type

- i) Month
- ii) Fare Type
- iii) All service city stations - office, agents, total
- iv) Summary - office, travel agents, total

(f) Ticket Sale By Form Of Payment

- i) Month
- ii) Form of payment - cash, credit card, reissue, PTA, MCO Charge
- iii) All service city stations
- iv) Total

(g) TV Tax Report

- i) Period
- ii) Agent/Station
- iii) Date of Issue
- iv) Ticket Number
- v) T.V. Tax

3. UPLIFT OF FLIGHT COUPONS

(a) Control Sheet

To ensure receipt of all flight coupons of all the flights, a control sheet as per the following format to be maintained.

**Flight Document Control Chart**

<u>Flight Number</u>	<u>Date</u>	<u>Station</u>	<u>Rec'd On</u>	<u>No. of FCS</u>	<u>Despatch Date</u>	<u>GAC Coupons</u>	<u>OC Coupons</u>
----------------------	-------------	----------------	-----------------	-------------------	----------------------	--------------------	-------------------

(b) **Uplift Statement from Airport**

The Airports should send all FCs to Revenue Accounts under a statement of uplift as per format hereunder -

From Airport .....

<u>Station</u>	<u>Flight No.</u>	<u>Date</u>	<u>No. of 1 Pax</u>
<u>Class F</u>	<u>Class Y</u>	<u>Total</u>	<u>No. of GAC Coupon</u>
<u>No. of OC Coupons</u>		<u>No. of Excess Baggage Coupons</u>	

(c) **Sorting of documents**

The uplifted documents may be sorted as per following sorts

- i) GAC tickets
- ii) OC tickets
- iii) Non-Revenue Tickets
- iv) Excess Baggage Tickets
- v) Rebated tickets (this sort can be avoided if rebate is coded or directly picked up form flight coupons).

(d) **Preparation of batch slips**

- i) Flight No.
- ii) Date (as per Guyance time)
- iii) Sector
- iv) Registration of Aircraft
- v) Block time

- vi) Flight time
  - vii) Batch no.
  - viii) No. of Coupons - GAC, OC, Non Rev. - Ex. Baggage-
- Total

(e) Date entry from flight coupons

- (i) Carrier
- (ii) Date of issue (Important for correct credit to FSA)
- (iii) Ticket No.
- (iv) Coupon No.
- (v) Fare Type
- (vi) Station/Travel Agent (Important for Area of Sale)
- (vii) Sector
- (viii) Connecting Pax Carrier
- (ix) Coupon Value (Prorated)
- (x) Currency
- (xi) Class of Travel
- (xii) Commission code in case of OC Coupons
- (xiii) % discount to normal fare (in case of rebated coupons)
- (xiv) Complete itinerary of the ticket in case of computerised proration.

(f) Data Entry for Excess Baggage Coupons

- (i) Carrier Code
- (ii) Ticket No.
- (iii) Coupon No.
- (iv) Sector
- (v) Weight per Kilo
- (vi) Currency of Sale
- (vii) Coupon Value



4. DATA BASE FILES

(a) Sectors and Fares

- (i) Fare Type
- (ii) Route
- (iii) Pax (Adult, Child, Infant, Group)

(b) Weighted Mileage Factors Table (in case of automated computerisation)

(c) Aircraft details

- (i) Registration No.
- (ii) Aircraft Type
- (iii) Seating Capacity - 1st Class - Ey Class

(d) Carrier details

- (i) Form No.
- (ii) Name
- (iii) Address
- (iv) 2 digit alpha code
- (v) Billing status (IATA/ACH/Direct settlement)

(e) Station Details

- (i) Station name
- (ii) Three digit alpha code

(f) Credit Card Co.

- (i) Name
- (ii) Address
- (iii) Company two digit alpha

(g) Excess Baggage Rate

- (i) Sector
- (ii) Rate per kilo

(h) Revenue Target Budget

- (i) Station
- (ii) Period
- (iii) Pax
- (iv) Cargo
- (v) Excess Baggage

5. OUTPUTS FROM COMPUTER

Prelist checks:

Computer should be user friendly - either to give on line scope for correction while keying in data or an output to be updated for correction on computer.

Possible prelist queries

- (i) Station code (AOS) omitted on flight coupon or not available in data base file.
- (.i) Value missing from the coupon.
- (iii) Sector travel mismatch.
- (iv) Total count of the flight coupons not matching with control slip.
- (v) Total count of the flight coupons not matching with control slip.

- (vi) Fare type not available.
- (vii) Any field blank.

(a) Monthly Load Statement

A monthly load statement as per the following format may be generated by the computer -

<u>Flight No.</u>	<u>Date</u>	<u>Uplift Point</u>	<u>Sector</u>
<u>No. of Pax</u>	<u>Classwise breakup</u>	<u>Adults/Child/Infant/NR/Rebate</u>	

Total number of coupons for each uplift stations to tally with control chart.

(b) Flightwise listing (Analysis of Int'l Revenue)

- (i) Flight No.
- (ii) Date
- (iii) Aircraft Type
- (iv) No. of coupons
- (v) Breakup of Adults/Infants, non/revenue, other
- (vi) Sector
- (vii) Pax revenue-other airline, GY dollars, US dollars, Soft Currency, total
- (viii) Excess Baggage Revenue - other airline, GY dollar, US\$, Soft Currency
- (ix) Gross Revenue
- (x) Interline Service Commission
- (xi) Net Revenue

This statement is important to determine revenue of each flight. However, it is to be ensured -

- (a) All flights are included as per control chart
- (b) No. of passengers tallies as per batch control slip.
- (c) There is no excessive/low revenue for any particular coupon.

(c) Monthly Running List of Passengers Coupons/Excess Baggage

All the coupons uplifted on all the flights of GAC during the month should be listed in ascending order - first of all GAC coupons followed by other airline coupons. The format could be as under -

- (i) Ticket Number
- (ii) F.C. Number
- (iii) Area of sale
- (iv) Sector
- (v) Flight Number
- (vi) Date
- (vii) Amount

(d) Monthly Traffic Sales Statement

Computer to generate a monthly and cumulative statement stationwise, categoriwise (pax, cargo excess baggage) revenue and its comparison with the targets allocated by Commercial.

The format could be as under -

<u>May 1990</u>	<u>Station</u>	<u>Jan / May , 1990</u>
Pax Budget % Variation		Pax Budget % Variation
Cargo Budget % Variation		Cargo Budget % Variation
Ex. Baggage Budget % Variation		Ex. Baggage Budget % Variation

(e) **Interline Passenger Invoices:**

- (i) Invoice Number
- (ii) Sector (not compulsory)
- (iii) Ticket Number
- (iv) Coupon Number
- (v) Currency of listing
- (vi) Month/Year
- (vii) Commission
- (viii) Discount
- (ix) Tax
- (x) Conversion to currency of listing.

(f) **Preparation of Form i to the Clearing House on Computer**

- (i) To Carrier
- (ii) By Carrier
- (iii) Date
- (iv) Invoice/Credit Note Number
- (v) Alpha Currency
- (vi) Amount in local currency
- (vii) Ex/Rate used
- (viii) Converted to currency of clearing amount
- (ix) C.R.
- (x) Call day adjustment % Variation amount
- (xi) Ex/Rate used
- (xii) Total in currency of clearance.

(g) No. of pax by origin and destination and day

- (i) Month/Year
- (ii) Schedule Route
- (iii) Sector
- (iv) No. of Passenger
- (v) Country of origin - country of destination-Combined Sector.
- (vi) Operating days
- (vii) Total per day
- (viii) Total per country.

(h) No. of pax and revenue by Area of Sale

- (i) Month/Year
- (ii) Aircraft Type
- (iii) Day
- (iv) Route
- (v) No. of flights operated
- (vi) No. of flights reports received
- (vii) Area of Sale - point to point, connecting
- (viii) GAC office - Sector from and to separately-

no. of pax (PP or connecting) Total  
in GY \$

GAC Agents - Sector from and to  
separately

No. of pax (PP or connecting) Total  
in GY \$

Total of all GAC Office, agents  
and other airlines.

(i) No. of pax by fare type and area of sale

- (i) Month
- (ii) Sector
- (iii) Day
- (iv) No. of pax
- (v) Fare type
- (vi) A O S
- (vii) Total per fare type
- (viii) Total per A O S

(j) Summary of Rebated passengers

- (i) Month
- (ii) Sector
- (iii) % Rebate
- (iv) Total for sector
- (v) Total rebate
- (vi) Total in and out
- (vii) Grand Total

(k) Excess Baggage Traffic By Route

- (i) Month/year
- (ii) No. of flight
- (iii) Route
- (iv) Sector
- (v) Weight in Kilos
- (vi) Value

(l) Summary of Passenger and Revenue by currency, type and traffic direction

(i) Month/Year

(ii) Ex. Georgetown - local pax and revenue in GY \$ foreign pax and revenue in GY\$ No. of pax and revenue in GY\$ - total No. of pax and revenue in GY\$.

(iii) Into Georgetown - local pax and revenue in GY\$- foreign pax and revenue in GY\$ - total no. of pax and revenue in GY\$.

(m) Passenger and Revenue by currency type and sector

(i) Month/Year

(ii) Sector - pax and currency type - local pax No. and revenue in GY\$ - foreign pax No. and revenue in GY\$ - total No. of pax per sector and revenue in GY\$ per sector.

(n) Summary of passenger and revenue by currency type and area of sale:

(i) Month/Year

(ii) Route and area of sale - Georgetown - pax and currency type - local pax and revenue in G\$ - foreign pax and revenue in G\$ - total pax and revenue in G\$. Other - passengers pax and currency type- local pax and revenue in G\$ - foreign pax and revenue in G\$ - Total pax and revenue in G\$.



(o) **Recap Sheet for ACH :**

- (i) Airline Name
- (ii) Numeric code
- (iii) Invoice month
- (iv) Type of transaction
- (v) Date forwarded
- (vi) Prepared by
- (vii) Phone Number
- (viii) Airline billed
- (ix) Amount (US Funds)
- (x) Amount (Canadian Funds)
- (ix) Airline Code
- (xii) US Funds total
- (xiii) Canadian Funds total

(p) **Recap Sheet for IATA Clearing House :**

- (i) Airline Name
- (ii) Numeric Code
- (iii) Invoice Month
- (iv) Type of transaction
- (v) Date forwarded
- (vi) Prepared by
- (vii) Phone No.
- (viii) Airline billed
- (ix) Pax Credit
- (x) UATP Credit

- (xi) Freight Credit
- (xii) Non-transportation Credit
- (xiii) Total Credit
- (xiv) Airline code hash total
- (xv) U.S Funds total billing.

(q) **Refund Reports**

**Passenger coupons :**

- (i) Date
- (ii) Refund no.
- (iii) Airline code
- (iv) Ticket No.
- (v) Coupon No.
- (vi) Refund Type
- (vii) No. show/cancellation charges
- (viii) Pax Name
- (ix) Refund amount
- (x) Agent Refund
- (xi) Refund amount coupon T.V. tax

(r) **T.V. Tax Refund Details :**

- (i) Date
- (ii) Ticket No.
- (iii) Pax Name
- (iv) T.V. Tax Refund

(s) Unaccounted Sale Report

To match running list (all coupons uplifted on GAC) cancelled coupons and other airline billed coupons on GAC with FSA tape listing all GAC sale documents to list of unreported sale i.e. documents utilised but not reported sold it is important to include appropriate sale data to ensure that for all used documents, the relevant sale reports have been received. The report can give -

- (i) Ticket Number
- (ii) Issued to
- (iii) Date of Issue
- (iv) Date of Use
- (v) Coupon Number
- (vi) Coupon Value

(t) Summary of Yearwise FSA debit

Total monthly revenue divided into FSA yearwise based on date of Sale for appropriate to FSA.

(u) Agent's Productivity Statement:

From audit coupon sale data to generate an agent's productivity statement giving the sale effected by various agents in Guyana and abroad and also by various booking offices of GAC.

(v) Balance Listing:

Monthly matching of uplifted coupons/cancelled and refunded coupons, OC billed coupons matched with FSA to give balance

listing to indicate unutilised tickets/coupons along with their respective value. This output would be very useful to check while affecting refunds on lost document basis.

(w) Audit Fare Collection :

From data base fare file to do sales audit to ensure that fare sold is in conformity with the sector fare. If there is a shortfall, to issue debit notes to the stations/agents.

MISCELLANEOUS :

Routine letters, various forms etc., can also be put on Computer so that only necessary details are filled up to generate them as and when required.

It is very important to establish controls i.e. to ensure that the no. of documents that are keyed in and the number of documents that are reflected on the computer outputs. Any difference in input and output figures must be investigated and reconciled to establish accuracy.

PRIMARY COUPON CONCEPT

To avoid duplication of data entry, 'primary coupon' concept may be used which is in use in many airlines. Under the system, ticket number of each coupon received in Accounts Department would be entered in the Computer to see if it is 'primary coupon' - whether sales coupon, uplift coupon, billed coupon or cancelled/refund coupon.

Primary coupon is one which is being received for the first time in Accounts Department. If it is a primary coupon, all the relevant details including ticket value and prorated value of each coupon is entered in the Computer and stored. When the next coupon of the same ticket is received, it would not be primary coupon and hence other details would be simply transferred without any need to fill the additional fields. This system would obviate the necessity of keying in all details when other coupons are received at subsequent intervals thereby saving man-hour and processing time.