

Assignment title: Continental Hotel Budget Planner

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Task 1

Cash flow forecast (The hotel's budget planner for the future year)

Provided in the excel file.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
11	Receipts :																
12																	
13																	
14	Sales		75,000	46,000	75,000	30,000	32,000	39,000	46,500	46,900	54,000	39,000	40,800	40,800	565,100		
15	Mini-bar		6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	81,600		
16	Interest Received		120	120	120	120	120	120	120	120	120	120	120	120	1,440		
17																	
18																	
19	Total Receipts		81,920	52,920	81,920	36,920	38,920	45,920	53,420	53,820	60,920	45,920	47,820	47,720	648,140		
20																	
21																	
22																	
23	Payments :																
24																	
25	Premier League License					3,000										3,000	
26	Sky Subscription		250	250	250	250	250	250	250	250	250	250	250	250	3,000		
27	Utilities		800	800	800	800	800	800	800	800	800	800	800	800	9,600		
28	Vehicle lease		275	275	275	275	275	275	275	275	275	275	275	275	3,300		
29	Beverage and soft drinks		3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000		
30	Wages		3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000		
31																	
32	Magazine			300			300			300			300		1,200		
33																	
34	The Room Beverage					500		500		500		500		500	3,000		
35																	
36	Newspapers		334	334	334	334	334	334	334	334	334	334	334	334	4,008		
37	Vehicle Insurance														4,000		
38	Furniture						1,750	1,750	1,750	1,750					7,000		
39	Petrol and diesel		500	500	500	500	500	500	500	500	500	500	500	500	6,000		
40	Gym (swimming cost)		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000		
41	Rates		400	400	400	400		400	400	400		400	400	400	4,000		
42	Valeting		140	140	140	140	140	140	140	140	140	140	140	140	1,680		
43	building Insurance										2,500				2,500		
44	Overdraft Interest		348	348	348	348	348	348	348	348	348	348	348	348	4,176		
45	Total payments		10,547	10,847	10,547	14,047	12,197	12,797	12,297	13,097	12,647	11,047	10,847	15,047	146,464		
46																	
47																	
48																	
49	Balance b / f		71,373	42,073	71,373	22,873	26,723	33,123	41,123	40,723	48,273	34,873	36,973	32,673	501,676		
50																	
51																	
52	Net cashflow in month		71,373	42,073	71,373	22,873	26,723	33,123	41,123	40,723	48,273	34,873	36,973	32,673	501,676		
53																	
54																	
55	Balance c / f		71,373	42,073	71,373	22,873	26,723	33,123	41,123	40,723	48,273	34,873	36,973	32,673	501,676		
56																	
57																	
58																	
59																	

Task 2

Introduction:

The mentioned continental hotel budget plan will be discussed in this report. The purpose of this report is to provide a thorough grasp of how to monitor and assess financial performance in the hotel industry. However, it will develop a budget planner, including a cash flow prediction for the hotel for the future year, in order to accomplish so. The budgeted revenue and expenditure will be properly classified through this cash flow forecast. It will also display the net monthly revenue or expenditure, as well as the opening and closing balances on the hotel's bank account. The next step will be to write a report for account directors that outlines and analyzes the zero-base budgeting procedure. It will compare the benefits of zero-base budgeting to traditional budgeting.

Part 2

Zero-base budgeting

The approach of zero-based budgeting requires that all costs be validated for the next month. Peter Pyhrr, a former Texas Instruments accounts manager, offered it for the first time in 1960 (Pyhrr, 2012). Zero-based budgeting starts at zero and justifies all of the costs that the business incurs during its operational term (Ibrahim, 2019). Zero-based budgeting will allow for a top-to-bottom strategic approach, allowing for strategic analysis of the performance of the component in question (Ibrahim, 2019). Zero-based Budgeting (ZBB) is a budgeting system that demands each expense element to be precisely justified, even if the budgeted activities are not being carried out for the first time. Each activity's cost must be justified, and if it cannot, the budget allotment is zero (Ekanem, 2014). Zero-based budgeting varies from traditional budgeting in that it starts at the beginning, or from zero, rather than relying on trends or prior spending levels. In the traditional budgeting approach, the previous year's data are taken as is, unless they are reduced or increased (Beredugo, Azubike and Okon, 2019). In contrast, zero-based budgeting considers that the budget for the next period will be zero if the requirement for a function, process, project, or activity has not been justified for each pound spent since the first pound (Beredugo, Azubike and Okon, 2019). Zero-based Budgeting (ZBB) is a novel technique for budgeting that was developed to overcome the flaws of incremental (conventional) budgeting. ZBB is a type of activity-based budgeting in which budgets are made for specific activities rather than departments. It is vital to show justification for the action in the form of cost savings (Singh and Yadav, 2011). The activities are then assessed and prioritized by management based on factors such as synchronization with company goals, budget availability, regulatory requirements, and so on. BB may help both for-profit and non-profit organizations (Réka, Ștefan, and Daniel, 2014). Non-profit organizations, such as government departments, local governments, and not-for-profit organizations, must explain the advantages of spending on social programs such as mid-day meals, street lighting, and drinking water, among other things (Crowley, and Hudgins, 2022). ZBB is ideally suited for discretionary expenses such as research and development, training programs, and advertising in the case of business organizations.

There are different types of processes in Zero-based budgeting. These are provided below:

Decision packages identification

The programmer or actions for which a choice must be made are referred to as decision packages (Alipour et.al, 2013). Technical specifications, financial effects in the form of a cost-benefit analysis, and other factors such as environmental, regulatory, and social issues are all documented for the programmer an activity.

Decision-making Packages Evaluation

After the decision packages have been discovered and documented, they are assessed against aspects such as synchronization with organizational objectives, funding availability, regulatory requirements, and so on (Mukhopadhyay, 2011).

Placing or ranking the decision packages

The decision packages are rated based on the priority of the activities once they have been evaluated. BB is also known as Priority-based Budgeting because of its prioritizing function (Gössling, Humpe, and Bausch 2020).

Resource allocation

Resources are allotted to the decision packages after they have been rated (Gupta, Tyagi, and Singh, 2019). Budgets are written as if they were being written for the first time, with no reference to previous budgets.

Advantages of Zero-based budgeting

There are some differences in between zero base budgeting and traditional budgeting. The differences are given below:

Zero based budgeting is a pretty sensible system that forces every programs including previous or new, which works to fight for limited resources. In traditional budgeting, some managers purposefully overstate their budget requests so that they still obtain what they want after the cuts (Maheshwari et.al, 2021). A logical examination of budget plans is sought in zero-based budgeting. Managers who try to inflate the budget proposal unreasonably are likely to be found and exposed (Mukhopadhyay, 2011). Only a well-crafted, result-oriented program receives management's approval. In conventional budgeting, senior management is responsible for determining why a specific amount should be spent on a specific decision unit. Traditional budgeting has become a common practice (Maheshwari et.al, 2021). Zero-based budgeting is

a fairly simple strategy that rapidly highlights the decision packages that take precedence over others (Mukhopadhyay, 2011).

However, the traditional zero-based budgeting has so many advantages. These are given below:

The traditional method guarantees that the organization's many functions are vital to the attainment of its goals and are carried out as efficiently as feasible. It allows management to allocate resources for diverse tasks only after a comprehensive cost-benefit analysis has been completed (Lester, 2018). As a result, the possibility of arbitrary boosts and reductions is reduced. It is simple to identify and remove areas of wasted spending. Departmental budgets are inextricably related to corporate goals. The method may also be applied to the introduction and execution of a "management by objectives" system (Lester, 2018). As a result, it may be utilized not just to achieve the goals of traditional budgeting, but also for a range of additional purposes.

Traditional budgeting is preferable to zero-based budgeting in the following ways:

It gives a method for evaluating various activities in a methodical manner. It guarantees that the tasks performed are vital to the fulfilment of the goal. It enables management to distribute resources to diverse activities following a comprehensive cost-benefit analysis, and it aids in the detection and eradication of unnecessary expenditure (Wu and Chen, 2021). It makes it easier to align departmental budgets with corporate goals. It makes it easier to create a Management by Objectives system.

Incorporation of such technologies into the organization's regular tasks:

A meticulous and well-planned strategy, as well as the implementation of the following stages, can help the organization implement zero-based budgeting:

In order for ZBB to be used, the standard process must be completely rewritten from the ground up. The first stage is to do comprehensive research in order to decide precisely what steps should be taken to enhance the company's operations. It is vital for the entity to find the technologies that allow budget holders to discover and implement new processes in order for them to embrace and accept new procedures (Maheshwari et.al, 2021). The company's accounts payable department must keep track of the total number of invoices it processes, so it's critical that they're up to date on its drivers (Choi, Abbas, and Lee, 2018). In order for ZBB to be implemented successfully in a firm, employees must be properly taught and educated. To aid

the transition, this training and education should include an understanding of the new strategy and system. To establish if expenditures are big enough to be included in a zero-based budget, an organization's threshold limit must be defined prior to implementing Zero Based Budgeting. It is critical to achieving strong coordination between top management and project personnel (Maheshwari et.al, 2021). Two crucial abilities to have are clear communication and a willingness to listen. Management must engage with specialists on a regular basis in order to learn from the mistakes and experiences of others (Whiteside, 2020). This affects every aspect of a company and can lead to significant organizational changes (Hendy, 2018). It is critical for a company to understand and accept BB in order to effectively execute a new way. BB is an empowering technology that helps procedures become more natural and requires less intense training than previous approaches (Capuno, Rivadeneira, and James, 2018). Throughout the budget period, ZBB evaluates every dollar spent, with the primary goal of justifying all operational expenditures and making revenue-increasing recommendations (Whiteside, 2020).

Conclusion:

Using proper methodologies and procedures, the paper examined management's informational requirements, particularly in connection to choices concerning revenues, expenses, and other financial factors. The goal of this paper is to provide you with a comprehensive understanding of how to track and evaluate financial performance in the hotel business. In order to do so, it has created a budget planner that includes a cash flow forecast for the hotel for the coming year. This cash flow projection has correctly categorized the projected revenue and expenditure. It also shows the hotel's net monthly revenue or expenditure, as well as the opening and closing bank account balances. The technique for zero-base budgeting was then outlined and analysed in a report for account directors. The advantages of zero-base budgeting were compared to those of traditional budgeting.

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