

MODULE NAME: FINANCIAL MANAGEMENT FOR THE
HOTEL INDUSTRY

MODULE CODE: BMIH5007

ASSIGNMENT: Grand Hotel Budget Planner

STUDENT NAME: IOANA FERARIU

STUDENT ID: 2029573

CONTENTS

TASK 1	3
Introduction	3
Analysis of Grand hotel budget planner	3
TASK 2	5
Importance of budgeting	5
Understanding of incremental budgeting	5
Understanding of activity-based budgeting	5
Understanding of value proposition-based budgeting	6
Understanding of zero-based budgeting	6
How budgeting control can support sustainability	6
CONCLUSION	7
REFERENCES	8
APPENDIX	10
Budget calculation	10

TASK 1

Introduction

The present report is a depiction of what the main four types of budget techniques are meaning and also the importance of choosing the correct type of budget technique for Grant Hotel. On the other hand, there are being presented some reasons that make the budget important in a company and also it outlines how the budget can support sustainability.

Analysis of Grand hotel budget planner

For the Grand Resort Accounts director there is a possibility of picking as well as implement one of the four major types of budgeting strategy. These are: step-by-step, activity-based, worth recommendation, and also zero-based, each with their benefits as well as downsides. A budget that is incremental is one that is created by utilizing the present period's budget plan or actual efficiency as a basis and after that making incremental changes to it. This is normally done by utilizing the budget from the previous year and also making some cost increase adjustments. The advantages of this strategy can be named as: simplicity, consistency and also operational security, moneying security and it also minimizes interior rivalry. On the other hand, the method has some downsides as well, such as: promotes unneeded investing, inhibits technology, falls short to make up changes as well as external variables and also it lacks a reward for a detailed testimonial (Wildavsky, 1975). The primary advantages of incremental budgeting are simplicity and uniformity. On the other hand, using this budgeting approach gradually might have unfavorable repercussions.

Activity-based budget (ABB) - using expense motorist info in the spending plan setup and also variation responses treatments, ABB is a method of budgeting that is based upon a task structure (CIMA, 2013). ABB is extra rigid than conventional budgeting procedures, which occasionally just make adjustments to past spending plans to take into account inflation or company growth. In today's fast-paced business climate, this budgeting approach's preservation, inflexibility, and also ensuing inability to adapt to inner as well as exterior modifications put possibly significant restrictions on organizations.

Worth proposition spending plan additionally called priority-based budgeting, concentrates on reviewing and also protecting the well worth of every single thing on a list of expenses. In the end, the objective is to identify where a firm should invest its funds in order to produce a revenue. Successful businesses and small startups that want to assess their most highly valued solutions can definitely utilize this budgeting method (Lake, 2019). Companies can forecast greater revenue by devoting a larger share of the budget, for example, to investing in popular solutions or in-demand items, because customers will certainly spend more cash.

Zero-based spending plan (ZBB) is a method of intending a spending plan in which each brand-new period's costs need to be sustained. Beginning with a "absolutely no foundation," every function inside an organization is checked out for its demands and also expenses as part of the zero-based budgeting process. After that, regardless of whether each spending plan is larger or smaller than the previous one, the budgets are constructed around what will be needed for the adhering to term. ZBB in company enables high-level critical goals to be incorporated into the budgeting process by connecting them to specific business useful locations, where costs might be first aggregated and after that analyzed against previous performance and also current expectations. Zero-based budgeting might be a rolling process completed over several years, with a few practical areas being assessed at a time by supervisors or team leaders, as a result of its detail-oriented nature (Kesmodel, 2015). By refraining from making general increases or reduces to the spending plan from a preceding duration, zero-based budgeting can assist in expense decrease. The treatment is prolonged as well as takes significantly longer than traditional, cost-based budgeting (Kagan, 2022).

TASK 2

Importance of budgeting

The act of developing and taking care of a monetary strategy that anticipates income and costs for a while duration is known as budgeting. Budgeting is an essential ability for company owners, executives, and also managers to ensure that groups and also companies have the sources to carry out efforts and accomplish objectives (Wildavsky, 1975). A fundamental spending plan is made up of expected earnings and also costs for a particular period (for example, the upcoming quarter or year). In order to avoid overspending, expenses need to be subtracted from predicted income prior to any staying funds are dispersed to tasks and initiatives (Neely, 2001). Budgeting is nothing more than balancing the spending as well as earnings, to place it just. It is the process of creating a budget plan and/or resource allotment technique.

Understanding of incremental budgeting

An incremental budget makes adjustments to the actuals from the prior year. This budget model is predicated on the idea that the new budget may be created by making a few adjustments to the budget from the previous year. The incremental budget approach is quite widespread for many established organizations due of its attractive simplicity and low lift. In general, as earnings are frequently maintained from year to year, incremental budgets are best successful in markets with intense rivalry.

Understanding of activity-based budgeting

In order to create a budget, a company must first identify, examine, and investigate the activities that affect its costs. The budget is then created based on the findings. By using activity-based budgeting, managers may determine which activities are actually engaged in the manufacturing process, price the product appropriately, save money, and ultimately boost the company's income.

Understanding of value proposition-based budgeting

Priority-based budgeting, in some cases referred to as worth proposal budgeting, is checking out and also outlining a company's expenses for a specific fiscal quarter. Value proposal budgeting's main objective is to identify where a business must allot funds based on the value that each expense generates.

Understanding of zero-based budgeting

As the name suggests, "zero-based budgeting" is an approach of planning and also developing the spending plan from scratch. A zero-based spending plan is generated from scratch instead of a regular spending plan that is based on previous budget plans. In this procedure, every expenditure has to be justified prior to being included to the actual budget plan (Dianati Deilami, Alambeigi and Barzegar, 2016). The main objective of zero-based budgeting is to decrease unnecessary spending by locating potential areas for savings. The sophisticated zero-based budgeting strategy, on the other hand, is exclusively applicable to profit centres. Traditional planning involves taking into account expenditure from the previous year, therefore expenses are higher than they would be with zero-based budgeting. On the other side, because the starting position is zero when using zero-based budgeting, less initial investment is necessary (Ahmodu, 2018; Lorenz, 2015). The standard approach of budgeting, zero-based budgeting, makes no assumptions and instead bases its assumptions on the fact that budgeting is zero (de Campos, 2017).

How budgeting control can support sustainability

The allocation of public finances is important for guaranteeing long-lasting sustainability. It is likely that nationwide plan reactions to sustainable development have improved as a result of the Paris Contract on Environment Change and also the Sustainable Growth Goals (SDGs) being adopted by governments throughout the globe in the previous couple of years (Bednarska-Olejniczak, Olejniczak, and Svobodová, 2020). The OECD wants to aid countries locate fresh methods to budget planning and also prep work while also encouraging better openness, public involvement, and budget guidance and review. In order to connect federal government

income and also spending with ecological and environment modification objectives, the Paris Collaborative on Green Budgeting functions very closely with nations (Frost and also Rooney, 2021).

Policymakers, legislators, as well as the public might be able to better understand the ecological effects of their economic decisions with the help of eco-friendly budgeting. Making better judgments on just how to increase earnings and also disperse resources needs considering the lasting impacts of plans on future generations as well as the long-term sustainability of sources (Tolliver, Keeley as well as Managi, 2019). Information on just how budgetary decisions affect the atmosphere might be scarce or not used methodically.

In order to connect motivations and also provide a cogent technique to policy making sustained by monetary decisions, environmental troubles need to be included in all plan locations of the spending plan, from the atmosphere as well as climate to transportation, health, and money. Most of OECD countries' spending plan programs for the ministry accountable of climate modification adaptation (e.g., Ministry of Setting). Some countries, including Canada, Finland, as well as Ireland, take environment modification seriously enough to factor it into every budget plan choice they make (Sisto et al., 2020). So, it's viable that by using efficiency signs attached to a federal government's budget, an extra methodical approach to sustainability may be created.

CONCLUSION

As a conclusion, this report pointed out the importance of having a budget within the Grand Hotel administration, and the most appropriate way for them to do this is with the help of zero-based budget, because through this technique, the Grand Hotel can improve their organisational performance from an overall perspective, in terms of sustainability, financials and controls.

REFERENCES

- Ahmodu, I.o. (2018). Assessment of budgeting systems implementation strategies in selected government technical colleges in southwest geo-political zone in Nigeria. *International Journal of Research and Innovation in Social Science*
- Al-attara, H.A., Mashkourb, S.C. and Hassanc, M.G. (2020). Zero-based budget system and its active role in choosing the best alternative to rationalise government spending. *International Journal of Innovation, Creativity and Change*
- Antić, L. and Novičević, B. (2011). Zero-Based Budgeting and Activity-Based Budgeting as Alternative Systems of Budgeting. *Economic*
- Bednarska-Olejniczak, D., Olejniczak, J. and Svobodová, L. (2020). How a Participatory Budget Can Support Sustainable Rural Development—Lessons from Poland. *Sustainability*
- Beredugo, S.B., Azubike, J.U. and Okon, E.E. (2019). Comparative analysis of zero-based budgeting and incremental budgeting techniques of government performance
- Callaghan, S., Hawke, K. and Mignerey, C. (2014). Five Myths (And Realities) About Zero Based Budgeting. *Mckinsey & Company*
- Chan, G.R. (2008). Aligning collections budget with program priorities: A modified zero-based approach. *Library Collections, Acquisitions, and Technical Services*
- Chinniah, A. (2013). An Assessment of Zero-Based Budgeting to Protect the Leakage of Finance in Government and an Organizational Development. *CLEAR International Journal of Research in Commerce & Management*
- CIMA (2013) The Chartered Institute of Management Accountants (CIMA), Chartered Global Management Accountant Resources- Activity Based Budgeting. Available at: <https://www.cgma.org/resources/tools/essential-tools/activity-based-budgeting.html> (Accessed 9 October 2022)
- De Campos, C.M.P., Rodrigues, L.L. and Jorge, S.M.F. (2017). The Role of Management Accounting Systems in Public Hospitals and the Construction of Budgets: A Literature Review. *Public Health and Welfare: Concepts, Methodologies, Tools, and Applications*
- Dianati Deilami, Z., Alambeigi, A. and Barzegar, M. (2016). Examining the Moderating Effect of Industry Competition on Relationship between Privatization, Financial Performance and Using of Management Accounting Tools in TSE. *International Journal of Finance & Managerial Accounting*

Ekanem, E.E. (2014). Zero-based budgeting as a management tool for effective university budget implementation in University of Calabar, Nigeria. *European Journal of Business and Social Sciences*

Frost, G. and Rooney, J. (2021). Considerations of sustainability in capital budgeting decision-making. *Journal of Cleaner Production*

Ibrahim, M.M. (2019). Designing zero-based budgeting for public organizations. *Problems and Perspectives in Management*

Kagan Julia (2022). Zero-Based Budgeting: What It Is and How to Use It. Available at: <https://www.investopedia.com/terms/z/zbb.asp> (Accessed 4 October 2022)

Kesmodel D. (2015). Meet the Father of Zero-Based Budgeting. Available at: <https://www.wsj.com/articles/meet-the-father-of-zero-based-budgeting-1427415074> (Accessed 2 October 2022)

Lake Laura (2019). How to Develop a Value Proposition for Your Business. Available at: <https://www.liveabout.com/develop-your-value-proposition-2295755> (Accessed 12 October 2022)

Lin, T.W. and Miklos, V.A. (1979). Zero based budgeting analysis. In Published in the Proceedings of Western AIDS Conference

Lorenz, A. (2015) Contemporary management accounting in the UK service sector (Doctoral dissertation, University of Gloucestershire)

Neely A, Sutcliffe MR, Heyns HR (eds) (2001) Driving value through strategic planning and budgeting. Accenture, New York

Pyhrr, P.A. (2012). Zero-Based Budgeting. *Handbook of budgeting*

Singh, G. and Yadav, P. (2011). Zero Based Budgeting in India-Its Relevance to Public Enterprises. *Asian Journal of Technology & Management Research*

Sisto, R., García López, J., Quintanilla, A., de Juanes, Á., Mendoza, D., Lumbreras, J. and Mataix, C. (2020). Quantitative analysis of the impact of public policies on the sustainable development goals through budget allocation and indicators. *Sustainability*

Tolliver, C., Keeley, A.R. and Managi, S. (2019). Green bonds for the Paris agreement and sustainable development goals. *Environmental Research Letters*

Van Schalkwyk, A. (2012) Results based budgeting. IMFO: Official Journal of the Institute of Municipal Finance Officers

Wildavsky A (1975) Budgeting: a comparative theory of budgetary processes. Little Brown and Company, Boston, MA

APPENDIX

Budget calculation

	Apr £	May £	Jun £	Jul £	Aug £	Sep £	Oct £	Nov £	Dec £	Jan £	Feb £	Mar £	Total £
Receipts :													
Payment on business accounts													
Cash sales	185,000	166,000	185,000	140,000	142,000	149,000	156,500	166,900	174,000	149,000	150,900	150,800	1,915,100
Interest Received	405	2,332	4,694	7,114	8,274	9,511	11,113	12,912	15,222	17,364	19,206	20,918	129,065
Mini Bar	8,900	8,900	8,900	8,900	8,900	8,900	8,900	8,900	8,900	8,900	8,900	8,900	106,800
Total Receipts	194,305	177,232	198,594	156,014	159,174	167,411	176,513	188,712	198,122	175,264	179,006	180,618	2,150,965
Payments :													
Resturant	27,800	27,800	27,800	27,800	27,800	27,800	27,800	27,800	32,100	27,800	27,800	27,800	337,900
Freehold													
Fixtures and fittings													
Wardrobe		3,500	3,500	3,500	3,500								14,000
Sky Subscription	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	15,000
Property expenses	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Premier league license												6,000	6,000
Laundry	1,625	1,625	1,625	1,625	1,625	1,625	1,625	1,625	1,625	1,625	1,625	1,625	19,500
Energy costs													
Payments to suppliers													
Vehicle Insurance									8,000				8,000
Salaries	57,500	57,500	57,500	57,500	57,500	57,500	57,500	57,500	57,500	57,500	57,500	57,500	690,000
Mini Bar	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	84,000
Training											7,500		7,500
Virgin Pass	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Vehicles lease	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	33,000
Van													
Petrol and diesel	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Rates	3,200		3,200	3,200	3,200		3,200	3,200	3,200	3,200	3,200	3,200	32,000
Valeting	540	540	540	540	540	540	540	540	540	540	540	540	6,480
Marketing													
Overdraft Interest													
Beverage	2,700		2,700		2,700		2,700		2,700		2,700		16,200
Magazines	2,150			2,150			2,150			2,150			8,600
Overtime	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	40,800
Newspaper	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	13,800
Building Insurance						5,500							5,500
Total payments	116,565	112,015	117,915	117,365	117,915	114,015	116,565	111,715	126,715	113,865	121,915	117,715	1,404,280
Balance b / f	13,500	91,240	156,457	237,136	275,785	317,044	370,440	430,388	507,385	578,792	640,191	697,282	4,315,640
Net cashflow in month	77,740	65,217	80,679	38,649	41,259	53,396	59,948	76,997	71,407	61,399	57,091	62,903	746,685
Balance c / f	91,240	156,457	237,136	275,785	317,044	370,440	430,388	507,385	578,792	640,191	697,282	760,185	5,062,325