



FINANCIAL MANAGEMENT FOR THE HOTEL INDUSTRY

Grand Hotel Budget Planner



BMIH 5007

Ana Sofia Andrade

2026882

Dale Clarke

Executive Summary

This report contains two main sections: task one and part two. The first part includes the main analysis of the grand hotel budgeting analysis, where the total revenue for march 2022 is analysed in detail. Task two consists of the importance of budgeting in an organization, the second section of this part is a different understanding concerning different types of budgeting. Under this, incremental, activity-based, value proposition and zero-based budgeting analysis will be implemented. The next section under this state is how budgeting control can support sustainability. The next part analysed, in this case, is the appendix, which shows the amount obtained from march 2022.

Table of Contents

Executive Summary	1
1. Introduction.....	3
1. 500-words analysis of Grand hotel budget planner.....	4
2. Task 2.....	5
2.1 Importance of budgeting	5
2.2 Understanding of incremental budgeting.....	6
2.3 Activity-based	6
2.4 Value proposition based.....	7
2.5 Zero based budgeting.....	7
3.6 How budgeting control can support sustainability.....	7
4.0 Conclusion	8
5. Reference List.....	9
4.Appendix Budget Calculations	11

1. Introduction

Budgeting comes naturally for some people and organizations; they like being organized in how they spend their money and time in their operations. For others, it becomes a bit challenging to do this since they lack a good budget that will control how they spend their money and the kind of trading they are supposed to do with others to gain the required profit for their organization. Even if one falls in any part of the management of the resources in an organization, different techniques will help an individual or an organization in coming up with a good plan to ensure that their operation in an organization is successful.

Automating the tracking of an individual or organization. As we move toward modern society, an individual or an organization needs to understand the right way to ensure that all files are well stored properly. Through this, it becomes easy to store files instead of carrying them whenever needed. Using smartphone apps to store this information and other electric devices will help ensure that all the required information is easily obtained when needed. This usually happens easily (Ganuza & Baiocchi, 2020). Other software is used in coming up with ways of coming up with the right budget that can be easily edited when there is a need, unlike what used to happen in the past when people were to carry a lot of books and papers containing the budget of an organization, nowadays things have changed compared to what used to happen (Lindquist, 2021). The program will not only help in spending but help in providing various categories on how the budget will be organized.

Automating the level of spending is the second technique that will help in coming up with the right spending in an organization. Understanding the way of spending in an organization through the right procedure will depend on how one or an organization will spend their money. In this case, automatic bill payment is used in defining this technique (Goldfrank, 2020). The third aspect is flexibility. For an organization to succeed from its budget, they need to develop a flexible budget to their needs to provide any changes that may arise. However, flexibility in the budget needs to be done on what matters most with the success of an organization an individual has towards the success of their projects (Anessi-Pessina et al., 2021). The fourth technique people have used in their organization for their budget to fit their needs is the consideration of the future. Any budget needs to consider the future events that will happen in the future days to ensure that there is no lack of enough resources that will delay the progress of any project the organization is having (Bonomi Savignon, Costumato & Marchese, 2019). People making the budget need to understand the difference between the

needs and wants the budget needs to have and consider before other things. This will ensure that first thing first, and the rest will follow later.

1. 500-words analysis of Grand hotel budget planner

The Analysis of the Grand Hotel Budget will be based on the AVB variance analysis, also known as budget variance analysis which focuses more on the analysis of the Hotel's budget with the given revenue processes expected or speculated values over a defined period of time that is from 1st April 2022 to 1st March 2023 versus actual financial outcome. Variance analysis helps us to understand the discrepancy between planned or budgeted and actual financial transactions. A company's budget details its anticipated financial commitments and transactions for a certain period, all of which will be used in the company's production processes.

The total revenue for March 2022, when compared to the budget.

The total revenue highlighted in the budget is £2,044,677, against the actual total revenue realized in March 2022 is £ 1,388,180 which gives a comparative difference of **(£2,044,677-1,388,180)** or a +31.04%. This shows a positive variance favorable for The Grand Hotel business since it is working within its budget, meaning the business's expenses are less than the revenue being speculated to be accounted for as of the end of February 2023. The positive variance in the budget shows that the Hotel will likely accumulate some profit from its projected revenue; even though there may be an extensive reason for why this favorable variance in the total revenue, we can attribute this success to multiple tourists, social, cultural and sports events that happen in the country. For instance, Last year alone, London held the world marathon, commonwealth games, NFL London Festival, Royal Parks marathon and Diwali festivals, all attracting tourists from all over the world, thus increasing the projected revenue. When assessing the variance from the budget in the general net income each month, we can deduce that the Hotel's net income variance from the budget for April alone was £194,305 against the total expense of the same month, which was £115, 215 giving the Hotel a profit of £79,090 indicating that the Grand Hotel had a positive budget variance of £79,090 from its net income outcome. Therefore, The Grand Hotel realized more income after all operational deductions of the given charges showing that the company is operating within its means and making a profit which is a positive indicator of business transactions or position.

The variance is calculated by comparing the expected output of a set of business processes with the actual outcome. The difference between the planned and actual amounts may be expressed as either a pound (£) amount or a percentage. An important function of the AVB is to offer an efficient overview of a company's performance by breaking it down into its many financial components (Aliabadi, Mashayekhi & Gal, 2019). The dissimilarity or variation may be more or lower than the allotted sum. When actual revenues fall short of projections, the variance is unfavorable, and when actual revenues exceed projections, the variance is positive. This analysis found that for the period ending on March 2023, "The Grand Hotel" had a positive deviation in net income compared to the budget.

2. Task 2

2.1 Importance of budgeting

The budget ensures resources are available when needed. When the budget is well prepared in the right manner, it becomes easy to determine the resources required in the project to avoid any delay that will affect the project's progress. Resource availability in any project depends on how the budget is prepared (McNulty, 2020). In situations with a poor budget, it becomes hard for the management to achieve resource availability since there will be no funds to bring the required resources to support the project's progress. By planning and financing in advance, it becomes easy to determine the right team and initiatives which needs more resources than others, thus helping the organization or an individual to organize the operation of the organization in the required manner (Indrani, Wickremasinghe & Naidoo, 2019).

The presence of a good budget help in setting up and reporting internal goals. When the budget is well prepared in an organization, it becomes easy to set up and report any form of internal goals that will be required to achieve the right success of an organization, budgeting for upcoming events is not an easy task and does not require just spending but planning on how to achieve the goals of an organization; it also requires one to understand ways of allocating the revenues in an organization and the required goals of an individual or the company (McNulty, 2020). an individual can use budgeting to set up company goals and achieve financial needs that will help in boosting the success of the organization. one can use

budgeting to update employees on the progress of an organization and visit different parts that need improvement to achieve a 100 percent success rate of an organization.

Budgeting also helps in prioritizing different projects in society. Many people use the budget to ensure they have achieved their organisation's best. When the project has become successful, there has to be a good budget that has enabled in achieving the right route of making the project effective (Rehman, Mohamed & Ayoup, 2019). When prioritizing a project, the return on investment is considered, and each project is considered to be of great benefit to the management in charge of the project. Through value proposition budgeting in an organization, it becomes easy to determine and provide the right explanation concerning each line of items in terms of their values to the organization (Klun & Stare, 2020). this is very useful in providing different priorities when an organization needs to achieve financial goals.

2.2 Understanding of incremental budgeting

This type of budgeting is based on small changes in the procedure and ways in which the new budget can be created by making marginal changes to the current budget an organization is operating with. This type of budget is essential since it is considered simple to use in any organization, thus making it to be applied by different organizations in running their operations (Goldfrank, 2020). The method consistently ensures the project's success and operational stability. The technique is known to have the funding stability required by many individuals when running their organizations. This method is one of the commonly used methods in ensuring that the organization's high success rates are achieved since it provides the budget and the project are progressing correctly.

2.3 Activity-based

Activity-based budgeting is another type based on different events in an organization; in this type, an organization usually establishes any costs on anticipated events (McNulty, 2020). They are most easily controlled when an organization applies an activity-based budgeting model. When an organization uses this method, expenses and revenue are achieved accurately, giving detailed information concerning the future projections that an organization requires.

2.4 Value proposition based

Value proposition budgeting is the type of budgeting that mainly focuses on overweighing what is considered to be of great value to company customers. This ensures that the customer needs are taken care of at the right time (Wildavsky, 2018). It helps determine the business performance and how the organization will achieve high production levels. Through this type, it is elementary for an organization to increase the level of production of an organization and the way different projects are achieved. Compared with other budgeting types, this type best ensures that the customers' needs are considered first.

2.5 Zero based budgeting

Zero-based budgeting is another type of budgeting that help in the allocation of money to all expenses an individual or an organization experience, the savings required, and how debts will be paid (Hansen et al. 2003). The type involves different steps in its implementation. It is as follows, identification of the task, coming up with different ways of accomplishing the task, evaluation of the right solutions to the task and other alternative ways of getting the funds, and the last one is setting up the budgeted numbers and the best priorities.

3.6 How budgeting control can support sustainability

Budgeting, from the definition, is a crucial aspect in driving the project's success since it helps ensure that financial sustainability in an organization is achieved. Forecasting on the financial matter will help in ensuring resources in an organization are attained, and no delay will affect the project's progress. Budgeting will help support sustainability in the following ways (McNulty, 2020). Budgeting will help control how the resources are utilized within an organization. Availability of resources means that the organization is experiencing good budgeting in terms of financial matters; if resources are categorized correctly, it becomes easy for the organization to continue advancing in their project as planned, but this will be achieved when the budget is well applied (Malarkodi & Anisha, 2021). In this case, the budget is used to allocate resources well in any project an organization will have in place considering the company's future; thus, it acts as a guide on how an individual will allocate resources to the project.

Budgeting will help support sustainability by ensuring that it evaluates the organization's performance. The performance of an organization is determined through regular evaluation of the performance in various departments (Ho, 2018). This can be

achieved by analyzing how different departments utilize their resources. The management uses the budget to evaluate the performance of an organization and what is required to be done in the department to ensure 100 percent transition.

4.0 Conclusion

The grand hotel budget analysis covers different aspects, including the total revenue for march 2022 and how it is compared with the budget. From the introduction, different budgeting techniques have been used to explain the role of budgeting in an organization. The importance of budgeting analysed in this paper helps to show why there is a need for a budget within an organization. Understanding different aspects related to budgeting, like incremental budgeting, activity-based budgeting, value preposition budgeting and zero-based budgeting, help show the real meaning of having a budget. Ways of budgeting control can provide support for sustainability also is very important for this paper.

5. Reference List

- Aliabadi, F. J., Mashayekhi, B., & Gal, G. (2019). Budget preparers' perceptions and performance-based budgeting implementation: The case of Iranian public universities and research institutes. *Journal of Public Budgeting, Accounting & Financial Management*.
- Anessi-Pessina, E., Barbera, C., Langella, C., Manes-Rossi, F., Sancino, A., Sicilia, M., & Steccolini, I. (2020). Reconsidering public budgeting after the COVID-19 outbreak: key lessons and future challenges. *Journal of Public Budgeting, Accounting & Financial Management*.
- Bonomi Savignon, A., Costumato, L., & Marchese, B. (2019). Performance budgeting in context: an analysis of Italian central administrations. *Administrative Sciences*, 9(4), 79.
- Ganuza, E., & Baiocchi, G. (2020). The power of ambiguity: How participatory budgeting travels the globe. *Journal of Deliberative Democracy*, 8(2).
- Goldfrank, B. (2020). The World Bank and the globalization of participatory budgeting. *Journal of Deliberative Democracy*, 8(2).
- Hansen, S. C., Otley, D. T., & Van der Stede, W. A. (2003). Practice developments in budgeting: an overview and research perspective. *Journal of management accounting research*, 15(1), 95-116.
- Ho, A. T. K. (2018). From performance budgeting to performance budget management: theory and practice. *Public Administration Review*, 78(5), 748-758.
- Indrani, M. W., Wickremasinghe, G., & Naidoo, M. (2019). Patterns of executing budgeting as a tool of planning and control: with special reference to listed companies in Sri Lanka.
- Klun, M., & Stare, J. (2020). Participatory budgeting at local level in Slovenia. In *Collaborative governance, trust building and community development: conference proceedings*. Cluj-Napoca: Accent (pp. 174-185).

- Libby, T., & Lindsay, R. M. (2010). Beyond budgeting or budgeting reconsidered? A survey of North-American budgeting practice. *Management accounting research*, 21(1), 56-75.
- Lindquist, E. (2021). Australian budgeting and beyond: Exploring John Wanna's scholarly surplus. *POLITICS, POLICY AND PUBLIC ADMINISTRATION IN THEORY AND PRACTICE*, 25.
- Malarkodi, K., & Anisha, A. (2021). An Analysis of Capital Budgeting Practices in Textile Industry. *Annals of the Romanian Society for Cell Biology*, 1793-1801.
- McNulty, S. (2020). An unlikely success: Peru's top-down participatory budgeting experience. *Journal of Deliberative Democracy*, 8(2).
- Rehman, S. U., Mohamed, R., & Ayoup, H. (2019). The mediating role of organizational capabilities between organizational performance and its determinants. *Journal of Global Entrepreneurship Research*, 9(1), 1-23.
- Wildavsky, A. (2018). Budgeting as a political process. In *The Revolt Against the Masses* (pp. 338-349). Routledge.

4.Appendix Budget Calculations

	Apr £	May £	Jun £	Jul £	Aug £	Sep £	Oct £	Nov £	Dec £	Jan £	Feb £	Mar £	Total £
Receipts :													
Payment on business accounts	185,000	166,000	185,000	140,000	142,000	149,000	156,500	166,900	174,000	149,000	150,900	150,800	1,914,600
Cash sales													
Interest Received	405	2,778	4,747	7,315	8,650	9,875	11,487	13,437	15,657	17,788	19,708	21,371	23,207
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	177,678	198,647	156,215	159,550	167,775	176,887	189,237	198,557	175,688	179,508	181,071	2,044,607
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													
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	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
Payments to suppliers													
Wages	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
Salaries													
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
Vehicles insurance									8,000				
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	1,350		1,350		1,350		1,350		1,350		1,350		8,100
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	115,215	112,015	113,065	111,715	118,715	114,015	111,915	115,215	127,515	111,715	124,065	119,865	1,388,180
Balance b / f	13,500	92,590	158,253	243,835	288,335	329,170	382,930	447,902	521,924	592,966	656,939	712,382	773,588
Net cashflow in month	79,090	65,663	85,582	44,500	40,835	53,760	64,972	74,022	71,042	63,973	55,443	61,206	656,427
Balance c / f	92,590	158,253	243,835	288,335	329,170	382,930	447,902	521,924	592,966	656,939	712,382	773,588	1,430,015