

# Continental Budget Planner

ANWAR MIAH 2021148

## Table of Contents

|                                                                        |          |
|------------------------------------------------------------------------|----------|
| <b>Section 1: Financial Statement .....</b>                            | <b>3</b> |
| <b>Section 2: Zero Based Budgeting .....</b>                           | <b>3</b> |
| <b>Section 2.1: Zero-Based Budgeting vs Traditional Budgeting.....</b> | <b>3</b> |
| <b>Section 2.2: The Process of Zero-Based Budgeting.....</b>           | <b>5</b> |
| <b>Section 2.3: Budgeting Control .....</b>                            | <b>6</b> |
| <b>Bibliography .....</b>                                              | <b>7</b> |

## Section 1: Financial Statement

Figure 1 shown below is the predicted cash flow forecast for the year of 2022.

|                              | Jan<br>£      | February<br>£  | March<br>£     | April<br>£     | May<br>£       | June<br>£      | July<br>£      | August<br>£    | Sept<br>£      | Oct<br>£       | Nov<br>£       | Dec<br>£       | Total<br>£     |
|------------------------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Receipts :</b>            |               |                |                |                |                |                |                |                |                |                |                |                |                |
| Payment on business accounts | 85,000        | 66,000         | 85,000         | 40,000         | 42,000         | 49,000         | 56,500         | 66,900         | 74,000         | 49,000         | 50,900         | 50,800         | 715,100        |
| Cash sales                   | 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         |
| Interest Received            | 180           | 2,555          | 4,424          | 6,926          | 8,053          | 9,323          | 10,829         | 12,616         | 14,751         | 17,167         | 18,961         | 20,869         | 126,654        |
| <b>Total Receipts</b>        | <b>91,980</b> | <b>75,355</b>  | <b>96,224</b>  | <b>53,726</b>  | <b>56,853</b>  | <b>65,123</b>  | <b>74,129</b>  | <b>86,316</b>  | <b>95,551</b>  | <b>72,967</b>  | <b>76,661</b>  | <b>78,469</b>  | <b>923,354</b> |
| <b>Payments :</b>            |               |                |                |                |                |                |                |                |                |                |                |                |                |
| Complimentary Beverage       |               |                |                | 350            |                | 350            |                | 350            |                | 350            |                | 350            | 1,750          |
| Freehold                     |               |                |                |                |                |                |                |                |                |                |                |                |                |
| Wardrobe Installments        |               |                |                |                | 1,750          | 1,750          | 1,750          | 1,750          |                |                |                |                | 7,000          |
| Fixtures and fittings        |               |                |                |                |                |                |                |                |                |                |                |                |                |
| Facilities                   | 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         |
| Food and Drink               | 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         |
| Energy costs                 |               |                |                |                |                |                |                |                |                |                |                |                |                |
| Payments to suppliers        |               |                |                |                |                |                |                |                |                |                |                |                |                |
| Wages                        | 6,000         | 6,000          | 6,000          | 6,000          | 6,000          | 6,000          | 6,000          | 6,000          | 6,000          | 6,000          | 6,000          | 6,000          | 72,000         |
| Utility Bills                | 700           | 700            | 700            | 700            | 700            | 700            | 700            | 700            | 700            | 700            | 700            | 700            | 8,400          |
| Vehicles                     | 275           | 275            | 275            | 275            | 275            | 275            | 275            | 275            | 275            | 275            | 275            | 275            | 3,300          |
| Petrol and diesel            | 500           | 500            | 500            | 500            | 500            | 500            | 500            | 500            | 500            | 500            | 500            | 500            | 6,000          |
| Vehicles Insurance           |               |                |                |                |                |                |                |                |                |                |                | 4,000          | 4,000          |
| Valet Costs                  | 140           | 140            | 140            | 140            | 140            | 140            | 140            | 140            | 140            | 140            | 140            | 140            | 1,680          |
| Rates                        | 300           | 300            | 300            | 300            | 0              | 300            | 300            | 300            | 0              | 300            | 300            | 300            | 3,000          |
| Magazine Subscription        | 0             | 250            | 0              | 0              | 250            | 0              | 0              | 250            | 0              | 0              | 250            | 0              | 1,000          |
| Sky TV                       | 250           | 250            | 250            | 250            | 250            | 250            | 250            | 250            | 250            | 250            | 250            | 250            | 3,000          |
| Premier League License       |               |                |                | 3,000          |                |                |                |                |                |                |                |                | 3,000          |
| Overdraft Interest           |               |                |                |                |                |                |                |                | 2,500          |                |                |                | 2,500          |
| Building Insurance           |               |                |                |                |                |                |                |                |                |                |                |                |                |
| Newspapers                   | 150           | 150            | 150            | 150            | 150            | 150            | 150            | 150            | 150            | 150            | 150            | 150            | 1,800          |
| <b>Total payments</b>        | <b>12,815</b> | <b>13,065</b>  | <b>12,815</b>  | <b>16,165</b>  | <b>14,515</b>  | <b>14,915</b>  | <b>14,565</b>  | <b>15,165</b>  | <b>15,015</b>  | <b>13,165</b>  | <b>13,065</b>  | <b>17,165</b>  | <b>172,430</b> |
| <b>Balance b / f</b>         | <b>6,000</b>  | <b>85,165</b>  | <b>147,455</b> | <b>230,864</b> | <b>268,425</b> | <b>310,763</b> | <b>360,971</b> | <b>420,535</b> | <b>491,868</b> | <b>572,222</b> | <b>632,024</b> | <b>695,620</b> |                |
| <b>Net cashflow in month</b> | <b>79,165</b> | <b>62,290</b>  | <b>83,409</b>  | <b>37,561</b>  | <b>42,338</b>  | <b>50,208</b>  | <b>59,564</b>  | <b>71,151</b>  | <b>80,536</b>  | <b>59,802</b>  | <b>63,596</b>  | <b>61,304</b>  | <b>750,924</b> |
| <b>Balance c / f</b>         | <b>85,165</b> | <b>147,455</b> | <b>230,864</b> | <b>268,425</b> | <b>310,763</b> | <b>360,971</b> | <b>420,535</b> | <b>491,868</b> | <b>572,222</b> | <b>632,024</b> | <b>695,620</b> | <b>756,924</b> |                |

**Figure 1: Cashflow Forecast for 2022**

## Section 2: Zero Based Budgeting

### Section 2.1: Zero-Based Budgeting vs Traditional Budgeting

Zero based budgeting (hereafter referred to as ZBB) refers to the method of budgeting in which expenses are accounted for in a certain momentary period. ZBB is always about justification, looking and analysing both new and old expenses. This all starts from a null point, or a 'zero-base', and the budget is built around the examined expenses, rather than previous budgets. (Kagan, 2022) Most often, budgeters will analyse every program and review efficiency, necessity, and other factors in order to justify its inclusion in the overall budget plan. (Deloitte, n.d)

This differs from the traditional method of budgeting, in the way that traditional budgeting takes the previous time period's budget into account, and will make changes based on said budget, normally making small changes in the individual processes depending on how important those processes are, as well as inflation or demand. (Finance Management, n.d) For example, an incremental increase might be introduced into the spending budget for vehicles and fuel if vehicles are being used more often.

Both budgeting methods have their own advantages and disadvantages which would sway a budgeter to use one over the other.

ZBB forces managers to make critical decisions about each and every part of the budget, as creating a justification for each segment implores them to think carefully about where money is being spent. Therefore, it can also be used to eliminate sectors that don't return a substantial amount, and therefore shouldn't be justified in including it in the budget. (Murphy, n.d) This, in turn, allows better efficiency in resource distribution, allowing more resources going to expenses that have a bigger ROI, or return-on-investment, which is a ratio of income to investment of an expense (Gillis S, 2021). Not only that, but ZBB promotes streamlined workflows, as well as growth and transparency. Managers have to provide compelling arguments for including things in the budget, therefore making analysis and reviewing clear and concise. On the other hand, ZBB can be time-consuming. Given that the budgeter has to start from the zero-base, with no reference to the previous budget, as well as implementing the new strategy and possibly new software and/or training, it may prove difficult for a company to create a plan before deadlines. (InsightSoftware, 2021) Not to mention the possible difficulty in finding the right justifications for parts of the budget, which can be tedious when doing so for every problem. Another problem ZBB might face is when a company has multiple departments. When a budgeter creates a budget, they will need to get in touch with every department head, which could be difficult when getting them to project all their needs for the coming period. (Heath, n.d)

In contrast, traditional budgeting is much simpler. As stated, a budgeter only needs to work from the previous budget and make changes. This is not nearly as time consuming as ZBB. Given in the name, the traditional aspect of the method means

that the financial aspects of the company are stable and coordinated, as well as the ability to pool resources into various projects. (Blakley-Gray, 2018). The main problem with traditional budgeting is the lack of flexibility because typical spreadsheets don't allow for more in-depth assessments and produce inaccurate results. Plus, whilst traditional budgeting might take less time generally than ZBB, it has none of the benefits of ZBB and can prove to make allocating funds extremely inefficient, since there isn't any room for the extremely detailed analysis. (Yvanovich, 2012) And not justifying why some programs are getting funding means that there is room for unnecessary expense in the budget which could've been avoided by using ZBB. (sdgGroup, 2017).

## Section 2.2: The Process of Zero-Based Budgeting

As stated, ZBB can be an intensive and long process for anyone involved, for good reason. Below is a simplistic version of the key steps in the ZBB process in order. It is a far cry from the regular budgeting method. It should be stated that before the steps are taken, the budgeter is to make sure that they aren't having any influence by the budget of the previous time period.

1. Identifying decision units.
2. Creating decision packages
3. Ranking decision packages
4. Allocating resources
5. Monitoring and controlling.

Firstly, a budgeter will create decision units. A decision unit refers to an activity or a group of activities that can be identified for budgeting. These are often as basic as possible, but each decision unit is different and independent from each other, meaning that none of them overlap and can be performed separately. (Tamplin, 2022) Normally, there will be many decision units in a round of ZBB, which is why this process can take a long time.

Next, these different decision units are broken down into 'decision packages', hereafter referred to as DPs. These are small-scale, more focused versions of the decision units, in which the aims run parallel to the aims of the whole company. These are the separate units that are to be justified in the process of ZBB. Each

justification will include a number of different definitions and explanations relating to the DPs, in order to correctly ascertain the necessity for said package. These will include the importance of the task, the practicality, ways the task can be done differently and what the task is to achieve. (Office of Finance Management, n.d)

Afterwards, these DPs are ranked in their respective decision units. They are ranked by importance and cost-effectiveness. Alternative options within these DPs are also checked to see how they would affect the rankings. These rankings, along with the justifications are sent to the higher-ups, who can approve and disapprove the decision units based on how well they have been justified by the budgeter. (EFinance Management, n.d)

Next, the DPs are allocated funding, using their priority level as a guide. This means that those DPs at the top of the list receive better funding than those at the bottom. This makes sure that the funds are best utilized, which is extremely important when working with a very limited budget.

Finally, the DPs are monitored afterwards. Companies will see how they are performing and their usefulness. This is done to ensure that the method made the right choices in distributing funds, or if another review is needed.

### Section 2.3: Budgeting Control

Because of this highly meticulous method of budgeting, despite the aforementioned drawbacks, its clear to see why ZBB can create a good impact on a company's budget. Being able to manage finance in a precise and detailed way, especially for a company in the hotel business, is an effective way to outline problems and maintain a baseline. (Institute of Hospitality, n.d). The idea of economic sustainability is extremely important for all businesses, not just those in the Hospitality sector. Just as the name suggests, a business needs to know how much is being spent as well as how much money is coming in for them to maintain their money. Budgeting control makes the expenditure and income clear and alerts the management when its time to make a change. The idea of budgeting control refers to the idea of tracking income and expense for a healthy profit, on a regular basis. (University of Cambridge, n.d)

A company should attempt to promote sustainability in all of its sectors, especially financially. This helps with the long-term benefits and promotes the longevity of the business. (FrontStream, 2013) Especially when using the ZBB method, companies can more efficiently and accurately distribute funds, whereas a less strict and detailed budgeting strategy might have been wasting funds, furthering the company's distance to a more sustainable financial environment. (SpenDesk, n.d)

Budgetary control can also help support a sustainable business in less direct ways, as budgetary control also promotes communication between the higher-ups and lower management, by sharing plans throughout the whole company. Not only that, but the ZBB method, as stated before, involves getting in touch with all the separate departments in the company. Should this be done right, it can help support better coordination and communication between departments. (J, 2022)

To conclude and summarise, the ZBB method, whilst it can be an extremely time consuming and taxing process for those involved, it can be seriously effective for a large company in the need of a scrutinizing check of it's income and expenses. Whilst smaller companies would most likely also benefit from ZBB over a more traditional method of budgeting, especially with a less extreme scope of activities and therefore decision packages, (QuickBooksAustralia, 2021) larger companies will benefit in the long-term even with the longer process, especially those in the hotel business. Zero Based budgeting, as well as many other budgeting methods can help lead a hotel business to its more economically sustainable goal point.

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