

The Continental Hotel  
Budget Planner

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## Introduction

The aim of this report to compare aspects of traditional and zero-base budget. This will mean to analyse and evaluate both budget types as the regional accounts director has asked for this in a report. Budgets are plans to help with finance in a company to achieve its goals. These budget types are the traditional budget types which uses past years to accumulate present year's budget and then zero based budget which starts at zero each year for its new budget. Both use spreadsheets but a different method of approach. As well as this a discussion onto whether budget control helps sustainability will be explored and concluded.

The report will be focusing on the budget of the Continental Hotel. The location of the continental hotel is in London and has 15 rooms (£250 per night) and a restaurant.

## The Continental Hotel Budget Planner

|                              | 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          |
| Wardrobe Installments        |               |                |                |                | 1,750          | 1,750          | 1,750          | 1,750          |                |                |                |                | 7,000          |
| 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         |
| 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          |
| Building Insurance           |               |                |                |                |                |                |                |                | 2,500          |                |                |                | 2,500          |
| 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>491,686</b> | <b>572,222</b> | <b>632,024</b> | <b>695,620</b> | <b>756,924</b> |                |

Table 1 Finance Table for Task  
1 – Cash Low Forecast 2022

## Report for Regional Accounts Director

The process of creating a plan to spend money is what it means by 'budget' (MoneyCounts, 2020) Budgets are put in place to help businesses reach their financial goals of the year. Hotel budgeting should utilize its data and noticing any patterns/trends. For example there will be certain seasons of the year that cater specific events which will affect hotel's performance. (InstituteofHospitality , 2021) It is important in hospitality for companies to forecast and forward plan. (Asogwa, 2017)

### Traditional Based Budget

Traditional Based Budget is the basic budgeting method.

Traditional based budget is a method of preparing the budget based on last years budget. The new years budget will be prepared by altering the past years budget and adjusting based on current affairs. (FinanceManagement, 2022) The alterations will be based on inflation rates; the change in price level over the year (Bank of England , 2022) consumer demands; defined as the willingness and ability of consumers to purchase goods (GeekTonight, 2021) etc

Traditional Budgets change relatively over time which therefore provides some stability for the company and avoids any clashes within the business. For traditional based budget there are advantages and disadvantages.

### Advantage of Traditional Based Budget

For this budgeting method, it is easy to put into action and simple to prepare. The method provides a framework of control; this means that the it forms a reference points therefore makes it easier to stabilizes managing activities. (Yvanovich, 2012) Traditional can also be read easily by managers and requires little training. It also

aids the need to decentralize, this refers to where top management in organisations delegate decision making responsibilities to those lower in the work hierarchy and concentrate on other big decisions. (peopleHum , 2022) Therefore, this means those who are lower managers can have a bit more freedom as long as they meet the set goals from upper management. Budgeting is also part of the culture in organisation as it's been around for a long time. (Lisa Garoutte, 2011)

### Disadvantages of Traditional Based Budget

Despite having sound advantages, there are also negative aspects to this budgeting method. Traditional Based Budgeting can be labelled as inefficient. This is because it can take too much time and management resources. Spreadsheets are used to make these budget plans and problems can occur whilst using these, this can include data entry errors, difficulty in deriving/implementing formulas can be difficult, also updated software can prove to be problematic. (Pietrzak, 2013)

It can also be difficult to be flexible with this method as spreadsheets are not dynamic so these tools that are used in budgeting are not able to complete the bigger picture for the needs in business. (SDG, 2017) These budgeting process can be a bit to centralized and rely on just the finance team of the company however this is a chance for all companies to get together to contribute. Lastly, this budgeting is mainly focused on reducing cost over the value of business and therefore the strategic initiatives are not priority.

### The Process of zero-base budget and implementation

Zero Base Budget is a method of budgeting where the expenses are justified for each new period. The name suggest it but zero based budgeting starts from a 'zero base' and each function is analysed in regards to its needs and cost. (Kagan, 2022)

The zero-based budgeting methodology is usually translated into a five-step protocol. Businesses can change these steps to align their ideals. (James C. Wetherbe, 1981)

1. Start – The budget must began at zero. Annual budgets start from scratch and ignore last year's budget.
2. Evaluate – Businesses must evaluate where the money is going and get rid of anything that is not needed.
3. Justify – Every place where the money is going needs to be justified, these need to be cost effective and cost saving.
4. Streamline – Decide what needs to be done and how. This process should be as simple as it can be.
5. Execute – The final step and begin planning and executing. Assign roles and responsibilities. (Anaplan, 2022)

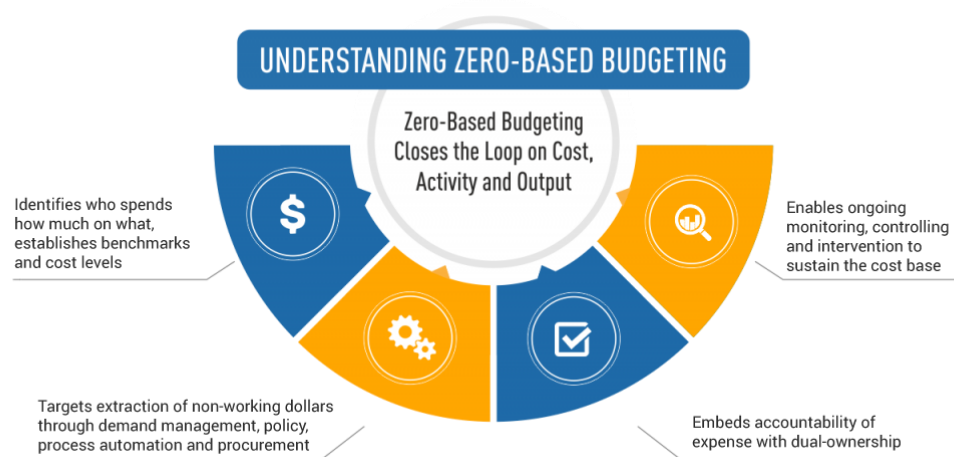


Figure 1 Zero Based Budgeting Steps (InvestD, 2020)

### Implementation of Zero Based Budget

For this method to be implemented successfully, the company must have strong communication throughout it's organization. (Parisa Ehsan Kashani, 2019) Roles and responsibilities must be defined, i.e who will be managing. This means everyone will be on same page and communication can be thorough and open. There must be clear goals and milestones otherwise what would be the point? This must be

communicated once again and tracked when these are achieved. Review meetings should be scheduled as aspects of the budget can change and differ from the original plan, meetings will help get everything back on track. (ramp, 2022)

### Can budgeting control support sustainability?

Companies attempt to be as sustainable as they can. This can be helped through budgetary control; it means comparing the actual income to planned income to identify if it is the right action. (Finance Division , 2021) The importance of this is that it helps management to track companies performance efficiently. This monitoring then makes sure the actual performance is below the budget and does not go over it, as the team will rectify it. (EDUCBA, 2021). The aim of budgetary control is to define the objectives and performance standards the business has established, to assign roles and responsibilities to each department, to find out any reasons for the increase in cost and if there are how to change these so any steps to avoid it can be taken. There are other aims of budgetary control but all of it leads so that it is efficient.

Budget control process is broken down in three steps, preparation of the budget, comparing budgeted performance with actual performance and identifying the performance.

Some disadvantages of budget control can be that the numbers calculated often need to be changed as predictions do not always align. Budgetary control can be costly and time consuming. Another disadvantage is that the process needs to have all departments to communicate and co-ordinate which can be difficult for large companies.

Regardless, the advantages beside it being efficient and improve sustainability is that the target is to see cost reduction, it improves coordination between different sectors of the business, and it is an effective tool to showcase company's performance. (Thakur, 2022)

## Conclusion

In conclusion this report goes into detail to the regional account director about Traditional Based Budgets, Zero Based Budget and Control Budget.

The report evaluated both advantages and disadvantages over each method and why it is suitable for businesses. Zero based budget start at zero and will aim to increase cost despite it being a bit more time consuming. It can end up being a much more rewarding benefit to the company long term to do zero based over the traditional method.

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