

Budgeting

LESSON 6

DR ALFRED MIFSUD

Learning outcome:

To understand how to prepare the budget;

To understand whom to invite for the budgeting process;

To understand what are the expectations of the budget process;

To put into action the budget and monitor thereof;

Budget preparation:

EXTERNAL ISSUES

What does the next period provide?

Any major event /dummy events?

Is the year a normal one, or is it a leap year;

Any extraordinary initiative being taken by the town, village or country as a whole?

Are there any issues arising from either political or economical or social turmoil;

Is there an impact from any technological development?

INTERNAL ISSUES

Any refurbishment planned?

Any improvement of the product per se?

Any changes of the classification of the property?

Any changes of the work practices adopted by the property?

Any training of the staff in line with the improvement of the property?

Who is going to contribute?

What does the owner want?

A high room rate?

A high occupancy?

What does the General Manager want?

A challenging budget, or an easy budget?

What does the employee want?

An empty hotel with the risk of losing the job?

Or a challenging hotel activity where one is constantly challenged for continuous improvement.

Expectations!

Everyone has expectations!

The owner wants to balance the investment programme that he/she has embarked upon;

The general manager wants to achieve the budget to be able to boost oneself and be happy with ones' achievements, it make him/her sell themselves better at future interviews;

The employee can refer to the budget to enable oneself do a better and perfect job;

Everyone can learn from the budget, first if the budget was done in a perfect manner; whether the budget is a workable document; whether the owners want to make their lives miserable;

Or simply if it is letting them achieve and work in a cordial environment;

Variance analysis

What is variance analysis?

Simply it is checking the difference between the actual and the budget;

The variance which is another word for difference could be either positive/favourable or negative/adverse;

Favourable variances reflect that the performance was better than planned; it could mean that the budget was too easy; or that the management has exerted a more collective and focused effort and managed to register some very good results.

What strategies led to the good results;

Adverse variances imply that the results were not achieved; for some reason or another.

In such situations one needs to explore the reasons why this negative result, what did we do wrong and how can these be overcome in the future and in the subsequent months.

Be all eyes and ears...

To have a sound budget one must be knowledgeable about the property and its manoeuvres.

Implementing the desires of the owners and managers;

Moving on and learning from past variances;

Thank you.
