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SPHM
HOSPITALITY

SPHM – BUDGET PROCEDURES



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Budget Procedures



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1. OPERATING BUDGET

1.1. BUDGET PREPARATIONS

On first week of September each year, all Department Head must to establish the monthly collection of information, which is required under this procedure for Pilgrimage Village Resort Budget as follow:

- Room Statistic
- Food & Beverage Statistic
- Sales & Marketing Sales Call; Trade Show and Advertisement Plan
- Manning & Payroll Information

All Department Head have to prepare four months Forecast for period August up to December, then adding up with the eight months actual will be got a result a “Latest Estimated”. This figure will be used to evaluate our operation for current year, it’s achieved or not.

When the estimate achieved from the budget you may can to comment, also when the estimate not achieved you are require to comment why the budget not achieved.

1.2. BASIC TERMINOLOGY

Room Statistic

- Room Available is the number of room that ready for sale of the number of business days, and not must reduce or adding up, when addition happen on the middle of the period may suggest putting into the Public Room Revenue.
- Room Occupy is the number of rooms sold.
- Occupancy Rate (%) is the ratio of the number of rooms sold and the number of room available.
- Average Room Rate is equal to room revenue divided by the number of room occupied.
- Number of Guest is the number of guest stayed in the room occupied.
- Double Occupancy is calculated as follow:

$$\begin{aligned} & \frac{G - R}{R} \\ D.O &= 100 \times \frac{R}{R} \\ R &= \text{Number of Room Occupied} \dots\dots\dots 2,496 \\ G &= \text{Number of Guest} \dots\dots\dots 4,735 \\ \text{Double Occupancy Rate} &= 100 \times \frac{(4,735 - 2,496)}{2,496} = 90\% \end{aligned}$$

- Room Density is equal to Number of Guest divided by Number of Room Occupied
Density Rate = $\frac{4,735}{2,496} = 1,90$



- Average Staying is equal to the ratio of number of room sold with the number of arrivals.

e.g., the number of room sold.....2,496
the number of arrivals..... .907
Average staying = $2,496 : 907 = 2.75$

Food & Beverage Statistic

- Cover is the number of guest taking food and beverage in the outlet.
- Food Cover is the number of guest who spends the foods in the outlet.
- Beverage Cover is the number of guest who spends the beverages in the outlet.
- Average Food per Cover is equal with the food revenue divided by the number of food covers.
- Average Beverage per Cover is equal with the beverage revenue divided by the number of beverage covers.

Cost of Good Sales

Costs of Good Sales are all value to provide a product i.e., purchase food and beverage material for outlets, purchases pulse for telephone, purchases laundry service from outside laundry or purchases material for laundry, also purchases merchandise for drugstore etc.

Gross Operating Income

Gross Operating Income is equal the revenue deducted to direct expenses i.e., Cost of Goods Sold and Other Expenses.

Payroll Taxes and Employee Benefits

- Payroll is the employee cost paid by the Resort, before deducted Payroll Tax
- Employee Benefits are consist of:
 - a. THR Bonus
 - b. Employee Meal
 - c. Employee Insurance
 - d. Employee Medical, and
 - e. Distribution from Personnel Expenses

Employee Gratuities

Employee Gratuities is 10% of Service Charge, which is not distributed to employee as reason of as provision for Breakages and Losses.

Distributed Expenses

The Distributed Expenses are Non operating Department with the Resort, that the expenses must be distributed into the operating departments by ratio of the



employees number per department. Under this department are:

- a. Local Transportation Department
- b. Personnel Department, and
- c. Laundry Department

Energy Cost

Energy Cost is the expenses for the Resort in relation with Water, Lighting, Liquid Petrol Gas and Generator Fuel.

Overhead Expenses

Overhead Expenses are undistributed operating expenses that deducted Gross Operating Income and consist of:

- a. Administrative and General Expenses
- b. Sales & Marketing Expenses
- c. Property, Operations and Maintenance (Engineering Department)

Gross Operating Income

Gross Operating Profit is an operating profit that did not deducted by Fixed Charges or Non Operating Expenses (see also Fixed Charges).

Fixed Charges

Fixed Charges or Non Operating Expenses all the expenses those are not categories as Direct Expenses or Overhead Expenses. These expenses are in relation with investment and corporate taxes.

These expenses are:

- a. Property Taxes
- b. Insurance
- c. Depreciation and Amortization
- d. Interest on Bank Loan
- e. Owner Fees

Net Profit before Tax

Net Profit Before Tax is equal with Gross Operating Profit minus to Fixed Charges or Non Operating Expenses.



SEGMENTATION CRETERIA

Market Segments	Definitions	Market Category
Individual Business (IB)		
Rack Rate	Full Rack Rate for Business Guests	A1
Corporate Rates	Corporate Rates for all companies local and outside Hue	A2
Commercial Rates	Negotiated Rate	A3
Recover Programs (Business)	FTT business for special discounted offers, promo for recovery	A4
Hotel Packages (Business)	All in-house FTT packages directed at business travelers, who long stay guests with special rates.	A5
Other	Hoteliers, travel agents, press and reporters, and others related to industry holding a confirmed discount cards.	A6
Group Business (GB)		
Air Crew	All air crew business	B1
Meetings/Incentives/Conventions Exhibitions	All room night in association with meetings held in the hotel, convention and exhibition related demand and all incentive groups.	B2
Sport Events	All special rates for sport events.	B3
Individual Leisure (IL)		
Rack Rate	Full rack rate for leisure travelers	C1
Recovery Programs (Leisure)	All room nights through leisure programs such as Early Bird, Flat Rate, and Road Show Dial Rate.	C2
Hotel Packages (Leisure)	All in-house FTT leisure packages, i.e., packages by Pilgrimage Village Boutique Resort & Spa, Promotional Discount, Long Stay Guests with special rates.	C3
Contracted Leisure Rates	All FTT room nights from travel agents (domestic and overseas) which have a rate contract with the hotel	C4
Airline Related	All room nights booked through airline programs	C5
Group Leisure (GL)		
Series	Series Groups as booked by travel agents/wholesalers/tour operator under contract rates	D1
Ad Hoc	Room nights booked from travel agents/wholesalers/tour operator for which the rate of each group is negotiated separately	D2
Airline Delayed	Disrupted passengers, layovers, etc	D3
Complimentary Rooms	All complimentary rooms for groups	D4
Other	Tour guide rooms, other	D5

1.3. ASSESSMENT OF STAFF COST FOR THE BUDGET

Under Salaries & Wages are:

- a. Basic Salaries
- b. Positions Allowances
- c. Overtime
- d. Wages Daily Workers
- e. Paid Holidays
- f. Fixed Allowances

Under Employee Benefits are:

- a. Employee Meals
- b. Employee Medical
- c. Yearly Bonuses
- d. THR Bonuses
- e. Employee Insurance
- f. Other Benefit based on the Trade Union Agreement
- g. Distributed Personnel Expenses.



2. SUMMARY DOCUMENTS

2.1. CURRENT YEAR ESTIMATIONS.

This procedure to instruct the Financial Controller as a consolidator to prepare the current year estimation with outline as bellow:

Description	Actual Jan - Aug	September Forecast	October Forecast	November Forecast	December Forecast	Latest Estimated

The responsible of Financial Controller to ensure all department head have to prepare the above information based their respective department.

Room Four Months Forecast

The Front Office Manager has to consolidate to Director of Sales to ensure his/her four months forecast will meet each other.

Food & Beverage Four Months Forecast

The Food & Beverage Manager has to consolidate to Front Office Manager to ensure his/her four months Number of Guest as a reference to calculate Number of Cover according to percentage ratio of Number Guest multiplied by average per cover to get Food & Beverage Revenue Forecast.

Other Operated Department Four Months Forecast

The Financial Controller has responsible to prepare the four months estimation for Other Operated Department.

Four Months Expenses Estimation

The Financial Controller has responsible to compute the estimation of cost and expenses based on the history and/or fair calculation.

2.2. CURRENT YEAR ANALYSIS

Based on the result of current year estimation, the Financial Controller can to prepare a Current Year Operating Analysis by compare the Current Year Budget with Current Year Latest Estimated, as outline as bellow:

Descriptions	Latest Estimated	Budget	Over (Under)
Room Available			
Room Occupancy			
Room Dbl Occupancy			
Average Room Rate			

The analysis was important be made to avoid assumption, if the budget just only for a financial decoration.

When we found the realization was not accurate with the real happen, the responsible of



Financial Controller to remind their colleagues.

2.3. ACCOUNT RECEIVABLE ANALYSIS

Account Receivable must be analysis each year for reason as follow:

- a. Account Receivable is company money that has possibility un-collectable
- b. The account receivable must be maintained consistence time by time
- c. Account Receivable Collection can be used to forecast Cash in Flow.

The Account Receivable Analysis will be outlined as bellow:

Total	Current	30 Days	60 Days	90 Days	Over 90 Days

2.4. INVENTORY ANALYSYS

- a. Inventory Analysis is very important be analysis to predict next purchases and to monitor any changing on guest consumable and supplies, and other supplies that has an Resort information that some time changed by sudden.
- b. To help in preparing the Cash Flow Projection.

The format been outlined as bellow:

Descriptions	Beginning Inventory	Purchase	Consump	Ending	Average	Stock Available (Month)
TOTAL						

2.5. OPERATING BUDGET

Operating Budget must be made to consider to economic outlook for next year, inflation forecast, Competitor Activities, Market Status and special date on next calendar.

The operating budget format in this procedure as follow:

- 1) Comment and analysis
- 2) Net Change
- 3) Cost Analysis Summary
- 4) Payroll & Direct Cost Analysis Summary
- 5) Profit & Loss Analysis Summary
- 6) Profit & Loss Statement
- 7) Room Departmental Profit
- 8) Front Office Department
- 9) House Keeping Department
- 10) Room Segment/Business Mix
- 11) Nationality by Room Night
- 12) Nationality by Guest
- 13) Food & Beverage Departmental Profit
- 14) Food & Beverage Statistic
- 15) Spa Departmental Profit
- 16) Minor Departmental Profit
- 17) Telephone Departmental Profit
- 18) Guest Laundry Departmental Profit
- 19) Transportation Departmental Profit
- 20) Recreation Departmental Profit
- 21) Business Center Departmental Profit
- 22) Administration & General
- 23) Advertising & Business Promotion
- 24) Trade Show Schedule
- 25) Sales Call Schedule
- 26) Advertising Schedule
- 27) Energy Cost
- 28) Property, Operation and Maintenance
- 29) Local Transportation Department
- 30) Personnel Department
- 31) Payroll



3. TREASURY BUDGET

3.1. **REPAYMENT LOAN AND INTEREST SCHEDULES**

Repayment Loan and Interest Schedule be considered the Operating Budget for Owned Company, when the Resort Managed Company this schedule not necessary.

The repayment loan and interest schedule usually come from bank as creditor the company, with approval from Resort Owner the Financial Controller to get this schedule direct or indirect from bank creditor.

3.2. **CASH APPLICATION**

Cash Application is the schedule to explain to all parties where is the cash come from operating will be going. The outline of Cash Application in these procedures is defined as follow:

1.	<u>Cash Position:</u>	
1.1	Position as per Ending.....	
1.2	Position as per Ending.....	
	Increase (Decrease)	
2.	<u>Increase in Cash</u>	
2.1	Increase in Reserve of Doubtful Account	
2.2	Increase in Accumulative of Depreciation	
2.3	Increase in Total Current Liabilities	
2.4	Increase in Bank Loan	
3.	<u>Decrease in Cash</u>	
3.1	Increase in Account Receivable	
3.2	Increase in Other Current Assets	
3.3	Increase in Deferred Charges	
3.4	Decrease in Deffered Credit & Reserve	
4.	<u>Cash Applied</u>	
4.1	Increase in Other Account Receivable	
4.2	Increase in Inventories	
4.3	Increase in Fixed Assets	
4.4	Increase in Operating Equipments	
4.5	Increase in Owner Accounts	
5.	<u>Decrease in retained earning</u>	
	<u>Increase (Decrease) in Cash</u>	

3.3. CASH FLOW PROJECTION

Cash Flow Projection must be prepared based on the Operating Budget and supply an information to all parties how cash position will be for next year.

The outline of Cash Flow Projection is defined as following:

CASH FLOW FORECAST -YEAR 20XX

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Receipts													
Cash Sales													
Collection from A/R													
New Equity Inflow													
Loans received													
Total Receipts													
Payments													
Cost of Goods Sold													
Electricity													
Telephone													
Water													
Payroll													
Generator Fuel & Oil													
Tax Payment													
Trade Creditor													
Room Expenses													
F & B Expenses													
OOD Expenses													
Admin & General													
Sales & Marketing													
Engineering Expenses													
Loan Repayment													
Interest Payment													
Others													
Total Payments													
Surplus / Deficit													
Opening Balance													
Closing Balance													

4. INVESTMENT BUDGET

4.1. CAPITAL EXPENDITURES

Capital Expenditure must be budgeted base on the request from the respective department head, all request must be submitted not late than ending October each year.

On the request form department head has to express how much and price estimated must be written into this forms.

The outline forms were defined as bellow:

No.	Descriptions	Quantity	Unit Price	Amount	Remark
1	<u>Front Office Dept.</u> 1.1. 1.2. 1.3. 1.4. 1.5.				
2	<u>House Keeping Dept.</u> 2.1. 2.2. 2.3. 2.4. 2.5.				
3	<u>F & B Dept.</u> 3.1. 3.2. 3.3. 3.4. 3.5.				
4	<u>Sales & Marketing Dept.</u> 4.1. 4.2. 4.3.				
5	<u>Personnel Dept.</u> 5.1. 5.2. 5.3.				
6	<u>Accounting Dept.</u> 6.1. 6.2. 6.3. 6.4.				



7	<u>Engineering Dept.</u>				
	7.1.				
	7.2.				
	7.3.				
	7.4.				
	7.5.				
GRAND TOTAL					

6. BUDGET TIME TABLE

Due Date	Activities	Action by
Aug 10, 20XX	Distribute 2013 Budget Manual	Financial Controller
During Aug 10, 20XX	Tutor of familiarization and preparation for helping	Financial Controller
Aug 13, 20XX	Distribution 2013 Budget Forms via e-mail	Financial Controller
Sep 15, 20XX	Four Months Forecast Form Distribution	Financial Controller
Sep19, 20XX	Submission of Four Months Forecast	All Department Heads of Operating Section
Sep 24, 20XX	Detailed Budget Instruction to All Department Heads	Financial Controller
Sep 30, 20XX	Submission of Details Budget	All Department Heads
Oct 02, 20XX	Capital Expenditure Budget Submission	All Department Heads
Oct 09, 20XX	Budget Consolidation by Finance Department	Financial Controller
Oct 08, 20XX	Operating Budget Review Meeting	GM, Financial Controller & All DH
Oct 10, 20XX	Submission of Final Budget and Business Plan to the Hotel Head Office	General Manager

7. **APPENDIX:**

- 7.1. Introduction
- 7.2. Balance Sheet Twelve Months Projections
- 7.3. Cash Flow Twelve Months Projections
- 7.4. Net Change Report
- 7.5. Cost Analysis Summary
- 7.6. Payroll & Direct Cost Summary
- 7.7. Profit & Loss Analysis Summary
- 7.8. Business Segmentation Analysis
- 7.9. Profit & Loss Budgeted Twelve Months
- 7.10. Room Departmental Profit & Loss Twelve Months
- 7.11. Front Office Departmental Expenses Twelve Months
- 7.12. Housekeeping Departmental Expenses Twelve Months
- 7.13. Business Segmentation Twelve Months
- 7.14. Business by Country of Residence – Room Nights
- 7.15. Business by Country of Residence – Guest Nights
- 7.16. Food & Beverage Departmental Profit
- 7.17. Restaurants Departmental Profit
- 7.18. Bar & Lounge Departmental Profit
- 7.19. Food & Beverage Statistics
- 7.20. Spa & Health Club Departmental Profit
- 7.21. Other Operated Departmental Profit
- 7.22. Souvenirs Shop Departmental Profit
- 7.23. Other Income
- 7.24. Administrative & General Department Expenses
- 7.25. Human Resources Department Expenses
- 7.26. Advertising & Business Promotion Expenses
- 7.27. Energy Cost
- 7.28. Property, Maintenance & Operations Department Expenses
- 7.29. Fixed Charges
- 7.30. Payroll