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Financial Planning in the Hotel Business

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Abstract: The article describes the questions of financial planning at the enterprises of hotel business. We describe the specifics of the financial plans of enterprises of hotel business, types of planning of hotel services are disclosed. The effectiveness of financial planning in modern regional hotel business is analyzed. Keywords: financial planning, hospitality, efficiency of financial planning, the current financing plan, the operational financial plan.

Key words: financial planning, hotel business, the efficiency of financial planning, current financial plan, rational financial plan, financial planning standards, hospitality responsibility centers hotel budgets.

Introduction

Implementing the concept of value management and understanding the principles that link a company's value to its strategy and organizational structure are necessary conditions, but this is not enough. The most important prerequisite for achieving high results is the well-functioning of management processes at the operational level, and this primarily applies to financial planning.

Financial planning is the process of developing a system of financial plans, the main task of which is to determine the company's need for financial resources in the current and long term. Financial planning is necessary to answer the following questions:

- what profit will the hotel receive in the planned year?
- what will be the total turnover?
- how much money should be spent on wages?
- what is the percentage of material costs?
- what will be the dynamics of financial indicators in comparison with the previous year?
- how much money is needed for the operation of the hotel?
- When exactly will the funds be needed?
- how stable will the financial position of the hotel be at the end of the planned year?

In the economic literature and in practice, the terms "plan" and "budget" are used and a point of view is expressed on their identity, since the budget acts as an instrument of the plan. In English, the word "budget" is used, from which the whole procedure is called "budgeting". In our country, the term "plan" is more common. Each enterprise can choose those designations that suit it best. However, it seems that the budgeting of enterprises in a market economy is significantly different from the previous approaches to the organization of planning. This concerns the organic connection of planning with control and responsibility within the individual divisions of the company.

Main part. Budget - a financial plan that covers all aspects of the organization's activities, allowing you to compare all the costs incurred and the results obtained in financial terms for the upcoming period of time. Budgeting is a technology for compiling, adjusting, monitoring and evaluating the execution of budgets for the hotel business of the tourist complex.

The external application of budgeting is aimed at:

- to attract borrowed funds for the implementation of investment projects of the hotel business from foreign investment institutions;
- formation of conditions for the payment of fees when concluding an agreement on the management of the hotel with the management company;

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- formation of conditions for the payment of fees when concluding a franchise agreement;
- formation of the format of the periodic financial reporting of the hotel manager to the

owner;

- publication of an annual report on the results of the hotel's activities.

The internal application of budgeting is aimed at:

- operational monitoring of the hotel business;
- organization of an effective system of cost control;
- organization of a motivation system for obtaining higher incomes for a specific

responsibility center;

- unification of the system of internal management reporting of hotel business units.

A key aspect of budgeting is the idea that all the activities of an enterprise consist in balancing income and expenses, the places of occurrence of which can be clearly defined and assigned to the responsibility of the head of the appropriate rank. Table 1. presents the comparative characteristics of the organization of financial planning in the hotel business.

Comparison of financial planning standards

Table 1.

Traditional approach	Budgeting (planning and control by responsibility centers)
Gross performance management of all hotel revenue centers	Managing the results of each of the hotel's revenue centers
Difficulties in evaluating the effectiveness of specific types of hotel activities	The ability to evaluate the performance of each division of the hotel and promptly adjust marketing plans
Making management decisions in the field of pricing for each type of hotel service, based on "perceived value"	Making management decisions in the field of pricing for each type of hotel service (perceived value + break-even analysis)
The impossibility of comparing the results of the hotel's activities with similar data in general for the market segment	The ability to compare the results of the hotel and its divisions with similar data on the target market segment
Lack of a unified management reporting format	Unified management reporting format
Problems with performance planning	The ability to plan performance results in a single format with financial statements in the context of each hotel responsibility center with subsequent consolidation into a master financial plan
The heaviness of the mechanism for operational regulation of the level of expenditures	Possibility to regulate the level of expenses according to the individual nomenclature in the context of each responsibility center
Difficulties in building a motivation system to achieve better results. Lack of a system of responsibility for the financial performance of structural divisions	Availability of a system of motivation and responsibility based on the individual performance of each department of the hotel

Program execution time tools	sys, msvrt, site, codeop, os, nt, winreg, platform, resource, gc, sysconfig, cgi, reprlib, runscript, tooltip, tracemalloc, types, typing, undo;
Language tools	warnings, abc, dis, inspect, tokenize;
Working with modules and packages	importlib, pkgutil, pip, zipimport, imp, modulefinder, multical, opcode, pkg_resource, redirector, runpy, syslog, nis (unix);
Working with images	antigravity, colorsys, colormath, config_key, graphlib, scrolledlist, tkinter, turtle, turtledemo;
Working with grammars	ast, optparse;
Working with sounds	audioop, autocomple, sndhdr, sunau, wave, winsound;
Recognition of emblems	imgchr.

Source: Research work by authors

The first step in the practical activities of organizing a budgeting system for a hotel enterprise is the allocation of responsibility centers.

Responsibility center is a structural subdivision of an enterprise that fully controls certain aspects of the formation of a financial indicator, and its head independently makes management decisions within these aspects and is fully responsible for the implementation of the planned (normative) indicators entrusted to him.

Responsibility centers are distinguished on the basis of the organizational structure of the enterprise, they are isolated in the organizational structure. The head of the unit has the ability to control income and (or) expenses; The head of the structural unit is endowed with the powers necessary to regulate the activities of the unit, and he is responsible for the execution of the budget.

Depending on the nature of the activities of the unit in the hotel business, three types of responsibility can be distinguished (Figure. 1).



Figure 1. Hospitality Responsibility Centers

There is no single approach to the allocation of profit, income and cost centres. The choice of one or another option comes from the functioning organizational structure of hotel management. For example, a hotel can be represented by both profit centres (food service) and income centres (sales and reception service, which are responsible for both the volume of sales and costs associated with the promotion of hotel services). In this case, the room service will be referred to the cost centre. Conference halls and wellness centres can also be included in profit centres. The cost centres include the administrative apparatus, the financial service, the technical support service, and the transport service.

In practice, it is very difficult to single out units that would receive only income without being responsible for costs, and, conversely, in whose activities there are only costs. A hotel company provides many different services and it is not worth allocating a separate responsibility

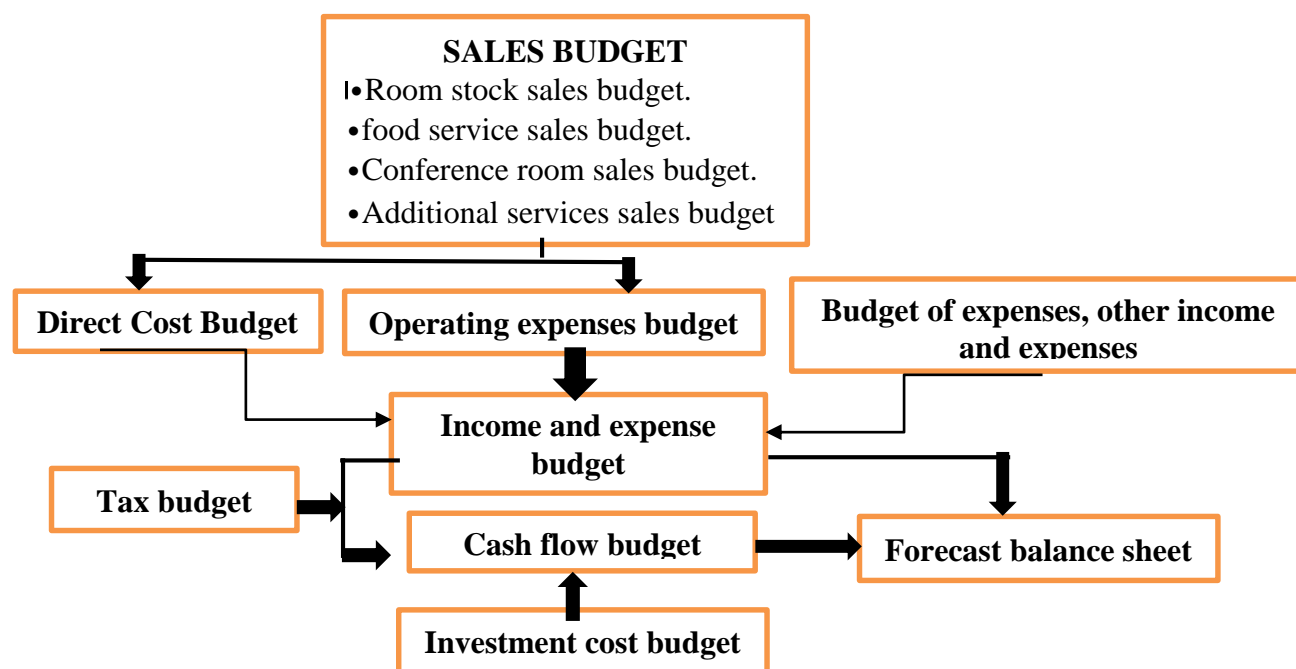


Figure 2. The budget system of a hotel enterprise

Consider the sections that make up the main budget of the hotel.

1. The sales budget includes income from the sale of rooms; income received from catering enterprises (restaurants, cafes, bars); income from the sale of additional services (communications, laundry and dry cleaning, hairdressing, fitness center, tour desk, souvenir sales, transport, etc.).

Table 2. Hotel sales budget (fragment)

Number name	Amount per year	January				November	December
Amount of days							
Apartments							
Total nights							
Loading, %							
Revenue, sum							

Source: Research work by authors

2. The budget of direct costs reflects the costs of the hotel for the planning period, necessary to implement the sales budget. It consists of direct material costs; the cost of bed linen; towels, uniforms; cleaners and detergents; tablecloths; dishes; food; drinks, etc.; direct labour costs; wages of hotel workers directly related to guest service - maids, waiters, bartenders, etc.; the cost of their food; insurance premiums, etc. A fragment of the budget of direct costs is presented in Table.3.

Table 3.

The budget of direct costs for wages of employees, taking into account insurance premiums

Job title	Number, human	Salary (sum)	Insurance premiums (sum)	FOT per month (sum)	Salary per month total (sum)	Costs per year (sum)
Receptionist						
Housemaid						
Security guard						

Street cleaner						
Purchaser						
By hotel:						
Chef						
Cook						
Restaurant manager						
Bartender						
Waiter						
Cleaner						
By restaurant						
Total:						

Source: Research work by authors

3. The budget of fixed (operating) expenses - general and administrative and management expenses. For hotels, these are rent; payment for electricity, heat and water; administration salary; interest on a loan; expenses of the marketing and sales department; advertising expenses; travel and hospitality expenses; depreciation of buildings, structures, equipment and furniture; maintenance and repair costs; taxes and fees (except income tax).

4. The budget for other income and expenses consists of income and expenses that are not related to the main activities of the hotel (for example, foreign exchange gains, and interest on bank deposits).

5. The budget of income and expenses - is calculated as the difference between operating profit and other income and expenses (Table 4).

Table 4.

The budget of income and expenses of the hotel(sum)

Indicators	January	February	March	April	May	June	July	August	September	October	November	December	Total per year
Revenues from sales													
Cost price													
including: - material costs; - salary; - insurance premiums; - depreciation; - other costs associated with production and sales													
Profit from sales													
Other income and expenses													
Income tax													
Net profit													

Source: Research work by authors

7. The investment budget includes the costs associated with the overhaul and reconstruction of the hotel, with capital investments in the implementation of new services.

8. The cash flow budget contains information on all cash flows of the hotel for the planned period that have passed through the cash desk and current account. Moreover, if necessary, the interval for compiling this budget can be less (for example, a decade, a week) than the interval of the main budget.

The information contained in the cash flow budget allows you to assess the solvency of the hotel, as well as the need for borrowed funds.

Conclusion. Development and scientific substantiation of the main provisions for

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creating a system of strategic planning for the activities of enterprises in the hotel complex, determining the conceptual provisions for creating a strategy for supporting intra-industry diversification, establishing the direction of rationalizing the functioning and development of hotel enterprises in the process of comparative analysis of the functioning of hotel enterprises in large urban agglomerations, developing methodological provisions for organizing and structuring regular business plan at the enterprises of the hotel industry allowed the author to draw the following conclusions and suggestions:

- There is currently a change in the concept of the tourism industry. The one-dimensional definition of tourism, associated primarily with tourists and the organization of tourist trips, is giving way to a multidimensional concept - the hospitality industry, which combines all related sectors of the economy related to serving people through specialized enterprises: hotels and restaurants, transport companies and travel agencies, entertainment, sports, cultural, entertainment and gambling establishments. It should be noted that every sixth person of the able-bodied population of our planet is employed in this industry today.

- Hospitality industry enterprises have common characteristics that define the nature of the hospitality industry, and the latter forms the organizational structure of enterprises, determines their management policies and operations: a large number of enterprises of different sizes and types are dispersed throughout the country and the world; many enterprises operate around the clock and all days of the week; prices are fixed and high, supply is also fixed, but there are seasonal fluctuations depending on unpredictable demand; it is an industry of both production and service; there are different clients with different needs and expectations; service is directed directly to the client, and the offered product has a tangible and intangible nature; many operations are combined, most of them are performed simultaneously; a high level of coordination is required and often within a very short time frame; managers are required to have high professionalism in management matters; in addition to highly skilled labor, there is also a lot of unskilled labor; most jobs are low-paid; the share of youth, female and hourly labor is high; high employee turnover within the industry (between industries). Since not all of the above characteristics are required for each sector or enterprise, an individual approach is required when developing their organizational structure.

- The hospitality industry has developed at an especially rapid pace over the past two decades. Large investments in the hospitality industry have served as an impetus for intensive globalization through various forms: the creation of joint ventures, strategic alliances, the use of franchising agreements, etc. Hospitality industry companies have mainly adhered to the following strategies: exporting core technologies well developed at home - a trademark; the belief that the international client has homogeneous travel needs that imply broad positioning across the major multinationals of the industry; export of control methods.

- A study of the hotel complex in Bukhara showed that the small size of the city's hotel services market does not promote competition, which leads to more efficient pricing, the development of additional services and an increase in the level of service quality. At the moment, a small number of hotels allows you to keep high prices while ignoring quality factors. To sell quality hotel services, Bukhara hotels lack innovative technologies, modern management accounting systems, staff development systems and quality control and marketing departments.

- Following the author's ideas, the main trends in the development of the hotel sector in Bukhara at present are the following: fierce competition in the conditions of the buyers' market, up to the complete displacement of competitors from the market; strengthening positions in the market of international hotel concerns and associations; in the future, a change in the goals of the investment expansion of international hotel concerns: shifting the focus to investments in medium and small hotels. Hotel concerns are moving from expansion in the upper layers of the market (luxury services) to the lower segments (hotels of 2-3 categories); a new policy of "trade mark" of hotel associations (simplicity and functionality of the furnishings of hotel rooms, territorial expansion); ousting from the market of uncompetitive enterprises of the hotel industry.

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