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## **Tools to Beat Budget**

Budgets are established as financial plans for the coming year.

The Accounting Office prepares monthly financial statements for each month. Statements are distributed to department heads around the middle of the month for the previous month's activity. Unfortunately, this means that department heads do not know how their departments performed until at least two weeks after the end of the period. When a department's performance does not meet budget, the department head does not know until after the fact and cannot intervene in a timely manner.

Ultimately, department heads are responsible for the financial performance of their departments and are accountable for those results. Since they are responsible for everything their departments do and fail to do, they cannot rely solely on the Accounting Office to provide them with the timely information they need to properly monitor and take action to ensure they meet their budgets.

Tools to Beat Budget is a program designed to help department heads monitor key elements of their budget by Real Time Accounting, a best practice for Performance Management. It requires department heads to monitor revenues and expenses on an ongoing basis, which keeps them in closer touch with their actual performance compared to budget. Finally, the data accumulated during the year using Tools to Beat Budget makes department heads more knowledgeable about their operations and makes establishing future budgets far easier since all the historical information is in one place – the Tools to Beat Budget binder.

### **Tools to Beat Budget Program**

The Tools to Beat Budget Program is made up of the following elements which are filed under the appropriate tabs in a 3-ringed binder, see Tools to Beat Budget Binder on page 6 below:

- **Accounting Policy on Tools to Beat Budget**, [A-3506](#), as a ready reference to the department head.
- **Annual Budget**. Each department has a budget comprised of: Departmental Schedule, Departmental Revenue Assumptions (profit centers only), and Departmental Payroll Cost Assumptions. Each department's budget is the financial plan for that department for the year.
- **Monthly P&L's**. Actual profit and loss schedules for each month which are prepared and distributed by the Accounting Office. The Monthly P&L's report actual financial performance for the period and compare it to budget. The Monthly P&L's also compare year-to-date (YTD) actual performance to budget.
- **Weekly Revenue Reports**. Reports prepared and distributed weekly which show revenues by department. This report also compares YTD actual to YTD budgeted revenues. Finally, this report computes key departmental benchmarks that can be compared to budget. If your club does not compile a Weekly Revenue report (see sample on page 5 below), it's a simple matter for a department head to track revenues daily by using daily point of sale revenue reports.
- **Departmental Payroll Summary Analysis reports**. Reports prepared and distributed bi-weekly which show payroll costs by department. This report also compares YTD actual to YTD budgeted payroll cost. Finally, this report computes the average hourly wage by department and compares it to the budgeted amount. If your club does not automatically provide you with a Departmental Payroll Summary Analysis report, see your Controller and ask to get a printout of your departmental payroll each pay period.



- Filing all Monthly P&L's, Weekly Revenue reports, and Departmental Payroll Summary Analysis reports in the binder as they are received.
- Recording and analyzing inventory data for the Cost of Goods Analysis (resale operations only).
- Recording all Other Operating Expenses in each expense account's Expense Log each month.
- Recording each expense account's monthly total on the Expense Log Summary.
- Monitoring their actual performance to budget and intervening as necessary to meet or exceed budget.
- Bringing their Tools to Beat Budget binder to the [Monthly Review of Operating Statements] and being prepared to answer questions regarding their department's financial performance.

The Controller is responsible for:

- Ensuring that Weekly Revenue reports and the Departmental Payroll Summary Analysis reports are prepared and distributed to department heads, and
- Purchasing and distributing the Tools to Beat Budget binders before the start of each fiscal year.

### **Tools to Beat Budget Forms**

Private Club Performance Management has prepared a number of forms to be used as part of the Tools to Beat Budget program. These forms are available on the PCPM Marketplace store.

**Departmental Payroll Summary Analysis, PCPM Form 230.** This form is designed to allow the department head to track his payroll cost for each pay period, compare it to budget, and monitor the variance. The form also summarizes the year-to-date pay cost, budget, and variance. It tracks payroll hours by category, providing a year-to-date summary, as well as calculates the average hourly wage per pay period and year-to-date.

**Master Payroll Summary Analysis, PCPM Form 231.** This form does the same thing as Form 230 but summarizes the data for all departments. This is a great tool for the General Manager to monitor payroll cost department by department and the club \.

**Expense Log, PCPM Form 233.** This form allows the department head to track his actual expenditures as he incurs the expense month by month for each Other Operating Expense category.

**Expense Log Summary, PCPM Form 234.** This form is used to summarize the expenditures in all Other Expense categories for each month of the fiscal year and allows the department head to see his remaining budgeted amount for each category as the year progresses.

**Cost of Goods Analysis Checklist, PCPM Form 244-1.** This checklist helps the department head with an out-of-line cost of goods sold determine where the problem is.

**Cost of Goods Sold Analysis, PCPM Form 244-2.** This form allows the department head to monitor the underlying data of his cost of goods sold month by month throughout the year.



**Weekly Revenue Report** **Food and Beverage**

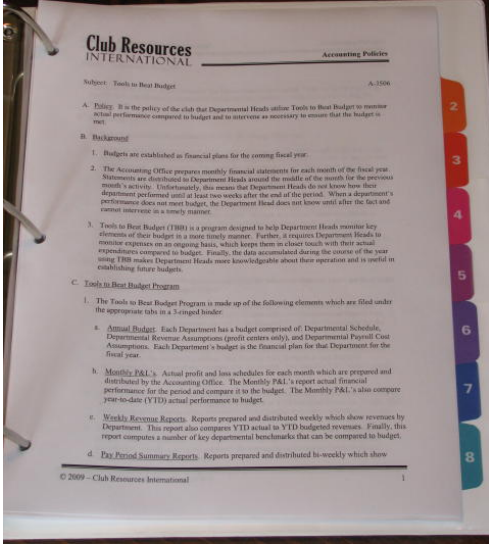
OAK HILL COUNTRY CLUB Week #: 43 Dates: Oct 20-26

Day/Wk	F	S	S	M	T	W	T	26	Wkly	Daily	Actual	Budget	Surplus
Date	20	21	22	23	24	25	26	Total	Total	Avg	YTD	YTD	(Shortfall)
<b>Dining Room Covers (#)</b>													
Lunch/Brunch	72	89	129	Closed	44	58	61	453	76		21,487	20,000	1,487
Dinner	89	101	42	Closed	52	64	61	409	68		39,874	40,000	(126)
<b>Total</b>	161	190	171	Closed	96	122	122	862	144		61,361	60,000	1,361
<b>Dining Room Sales (\$)</b>													
Lunch/Brunch	489	612	1,789	Closed	299	398	422	4,009	668		192,457	172,800	19,657
Dinner	1,489	1,687	642	Closed	228	319	530	4,895	816		502,164	498,000	4,164
<b>Total</b>	1,978	2,299	2,431	Closed	527	717	952	8,904	1,484		694,621	670,800	23,821
<b>Dining Room Avg Chk (\$)</b>													
Lunch/Brunch	6.79	6.88	13.87	Closed	6.80	6.86	6.92	8.85			8.96	8.64	0.32
Dinner	16.73	16.70	15.29	Closed	4.38	4.98	8.69	11.97			12.59	12.45	0.14
<b>Total</b>	12.29	12.10	14.22	Closed	5.49	5.88	7.80	10.33			11.32	11.18	0.14
<b>Catering Covers (#)</b>													
Sit Down Meal	24	42	120	Closed	0	30	151	367	61		18,974	17,750	1,224
Buffet/Reception	0	320	0	Closed	0	0	0	320	53		16,540	16,500	40
Coffee Brk/Contl Bkfst	0	0	0	Closed	20	12	0	32	5		1,019	1,000	19
<b>Total</b>	24	362	120	Closed	20	42	151	719	120		36,533	35,250	1,283
<b>Catering Sales (\$)</b>													
Sit Down Meal	489	987	2,134	Closed	0	623	2,119	6,352	1,039		426,915	408,250	18,665
Buffet/Reception	0	9,241	0	Closed	0	0	0	9,241	1,540		478,668	453,750	24,918
Coffee Brk/Contl Bkfst	0	0	0	Closed	200	100	0	300	50		5,340	5,000	340
<b>Total</b>	489	10,228	2,134	Closed	200	723	2,119	15,893	2,649		910,922	867,000	43,922
<b>Catering Avg Chk (\$)</b>													
Sit Down Meal	20.38	23.50	17.78	Closed	#DIV/0!	20.77	14.03	17.31			22.50	23.00	(0.50)
Buffet/Reception	#DIV/0!	28.88	#DIV/0!	Closed	#DIV/0!	#DIV/0!	#DIV/0!	28.88			28.94	27.50	1.44
Coffee Brk/Contl Bkfst	#DIV/0!	#DIV/0!	#DIV/0!	Closed	10.00	8.33	#DIV/0!	9.38			5.24	5.00	0.24
<b>Total</b>	20.38	28.25	17.78	Closed	#DIV/0!	17.21	14.03	55.56			24.93	24.60	0.34
<b>Total Food Covers</b>													
	185	552	291	Closed	96	164	273	1,561			97,894	95,250	2,644
<b>Total Food Sales</b>													
	2,467	12,527	4,565	Closed	727	1,440	3,071	24,797			1,605,543	1,537,800	67,743
<b>Overall Avg Chk</b>													
	13.34	22.69	15.69	Closed	7.57	8.78	11.25	15.89			16.40	16.14	0.26
<b>Beverage Revenue Sales (\$)</b>													
Beer	96	76	164	Closed	72	248	964	1,620	270		29,782	30,829	(1,047)
Wine	216	184	120	Closed	43	186	165	914	152		34,567	32,239	2,328
Liquor	350	472	111	Closed	37	44	45	1,059	177		23,458	25,831	(2,373)
<b>Total</b>	662	752	395	Closed	152	478	1,174	3,593	599		87,807	88,899	(1,092)
<b>Other Income</b>													
Service Charge	232	152		Closed	98	302	731	1,515	253		62,487	61,157	1,330

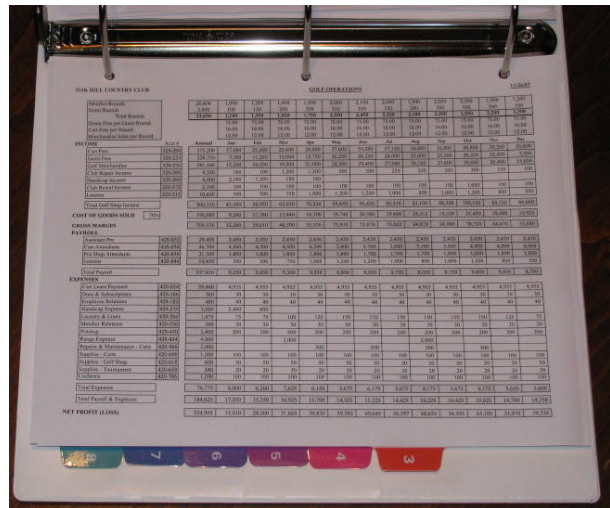


# Private Club Performance Management

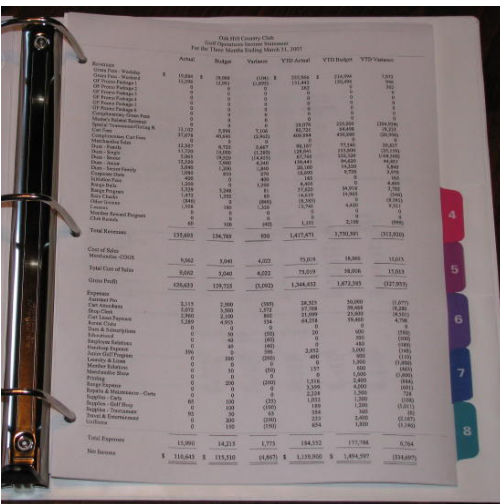
## Tools to Beat Budget - Real Time Accounting



The policy for Tools to Beat Budget is filed under the first tab.



Your departmental budget is filed under the second tab.



Monthly Profit & Loss Statements are filed under the third tab as you get them from the Accounting Office. At the end of the year there should be twelve filed in the binder – one for each month.





### **Tips for Implementing Tools to Beat Budget**

The surest way to successfully implement Tools to Beat Budget at your club is to have the General Manager firmly behind the program. Her interest and will to make it happen will ensure that the department heads meet the requirements of the program.

If the General Manager is not firmly behind the program, it may still be implemented in any department where the department head has an interest in doing so. Usually, in every club there will be some department heads who have a strong interest in “tracking their numbers.” In this case, the department head with the proper interest and motivation may purchase a binder and set up the program himself. Usually, he will need the assistance of the Controller in getting access to his departmental payroll information each pay period. Other than that, he can get his daily revenue information from point of sale reports and track his expenditures as he incurs them.

Usually, a strong department head who implements Tools to Beat Budget on his own will find that the Controller, General Manager, and other department heads will quickly see the benefits of his example and will jump on the bandwagon.

*My personal experience with Tools to Beat Budget is that, like any other discipline, the hardest part is setting it up. Once it becomes routine and everyone is used to doing it, department heads will tell you that it isn't that hard and doesn't take that much time. And as soon as they see how easy it makes budgeting when they have a full year's historical detail at their fingertips, they will all recognize its value.*

### **Conclusion**

As with any other management tool, Tools to Beat Budget is only as valuable to a department head as the effort put into it. Department heads should keep in mind that if their department was their own business, each of the tools would be a necessary part of maintaining the business' profitability. While they don't own the business, their management responsibility to ensure financial performance is just as much a necessity.

*About the Author*

Ed Rehkopf is a graduate of the U.S. Military Academy and received a Master of Professional Studies degree in Hospitality Management from Cornell's School of Hotel Administration. During his long and varied career, he has managed two historic, university-owned hotels, managed at a four-star desert resort, directed operations for a regional luxury-budget hotel chain, opened two golf and country clubs, worked in golf course development, and launched a portal web site for the club industry.