

School of Hospitality

Course Code : BSCH3004

Course Name: Housekeeping Management

UNIT -2 Budget and Budgeting Control

Topic 3: Planning of operational budget

Topic outcome:

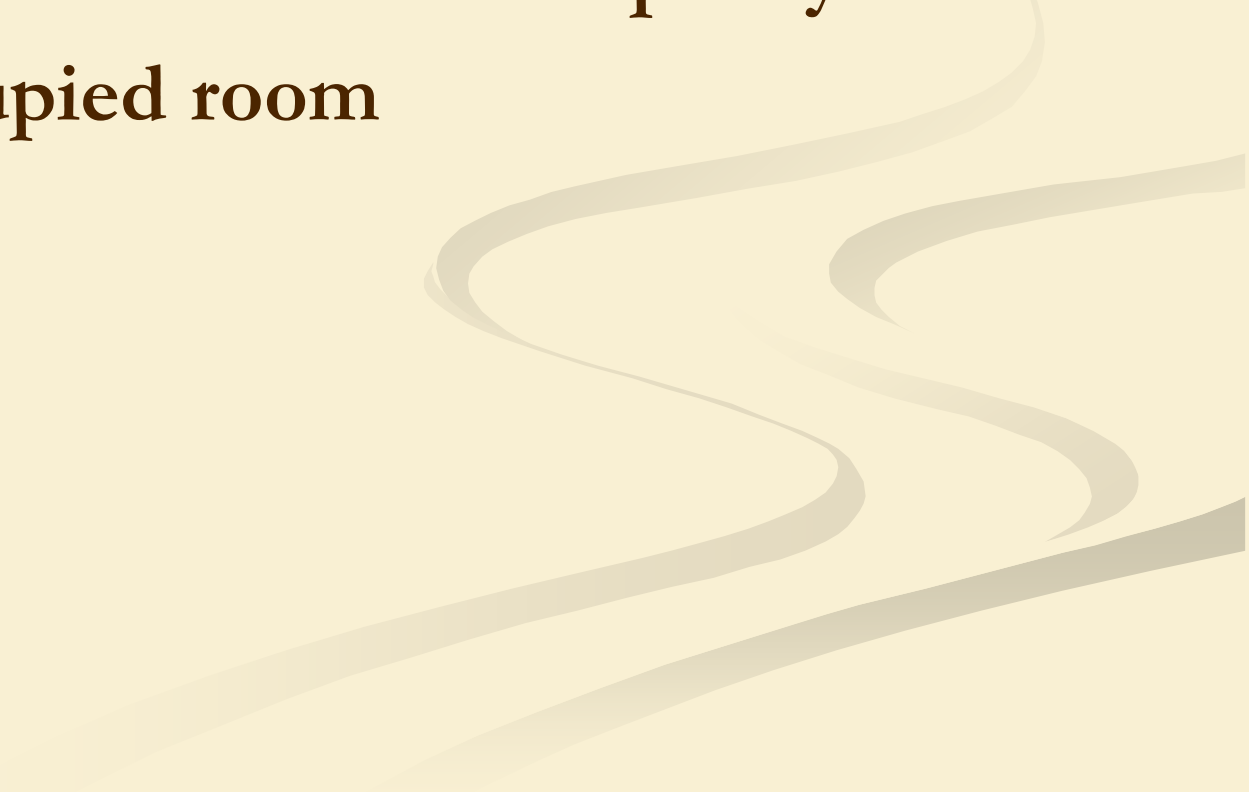
- 1: To understand the term operational budgeting.**
- 2. Interpret the steps involved in operating budget process**
- 3. To understand types of purchasing**

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BScHM/BHM

Program Name:

The Operational budget planning process

- Forecasted room sales or Occupancy levels
 - Cost per occupied room
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Forecasted room sales

- The room sales for the year are forecasted by the front office manager.
- The monthly break up are also outlined in this forecast
- This information is given to the heads of the department far in advance for the preparation of departmental budgets.

Cost per occupied room

cost per occupied room:

$\text{Operating expenses} / \text{Room sale}$

Operating costs

1. Variable operating expenses
2. Semi variable operating expenses
3. Fixed operating expenses

Variable operating expenses

- These fluctuate with the occupancy level
- These expenses includes guest supplies, laundry and such costs that increase or decrease in proportion to occupancy levels

Semi variable operating expenses

- These fluctuate partly according to the occupancy level.
- Employee in the housekeeping department can't be hired or fired according to the occupancy level.
- A minimum number of employee must be on roll no matter how the low occupancy may be
- Cleaning supplies, flowers, linen and uniforms are the examples of semi variable operating expenses.

Fixed operating expenses

- For example: pest control(since pest control is on contract, this expenses is deducted on monthly basis and doesn't depend occupancy.
- Wages to employees.
- Hotel employees health premium.
- Yearly maintenance contract fees for all equipments, machineries and Hotel Management software's.

- **Note: The EHK only use cost per occupied room as the guiding factor in the planning the budget.**
- **Once the EHK knows the predicted level of occupancy, the expected expenses for salary, wages, cleaning supplies, guest supplies, laundry and other areas can be determined.**

Types of Purchasing

various types of purchasing methods are used in hotels. A single purchasing activity may also be a combination of several types. Some of the methods are

- **1. Formal purchasing/competitive bid buying:** Formal quotations are invited from sellers against the written specification for each item to be purchased. These requests for bids may be made through newspapers or other publications that are widely distributed or they may be passed to interested sellers who may be contacted over the phone. The usual practice is to accept the quotation of the lowest bidder unless the products fail to meet the specifications.
- **2. Wholesale buying:** In this method of purchasing the contract is signed with a wholesaler for the purchase of items at a specific price. For the future the agreement specifies the intervals between deliveries for the contract period.
- **3. Negotiated buying:** this method involves negotiation between the buyer and the seller regarding the price and quantities. This method is generally used for items that are in limited supply where both the buyer and the seller are keen that the product be picked up quickly. In this case the buyer contacts the seller directly.

- **4. Contract purchasing:** This method of purchasing assist the buyers and the sellers to improve the re-ordering of items that are repeatedly called for with minimal administrative expenses. This method is similar to blanket order purchasing except that the agreement is long term and the supplier are therefore not changed frequently. The rate of usage and frequency of ordering over the contract period need to be known under the system contract. The buyer receives only those brands which are produced or sold by the contractor. This method of purchasing is most commonly used for the purchase of housekeeping supplies.

- **5. Blanket order purchasing:** A blanket order is an agreement to provide a specific quantity of listed items for a period of time at an agreed price . The blanket order method is best for items that are required in small quantities but more frequently and where the usage rate cannot be accurately forecasted.

- **6. Stockless purchasing:** In this case the buyer does not keep the stock of goods ordered. The supplier warehouses them for the buyer instead. The inventory is thus owned by the supplier.

- **7. Purchase by paid reserve:** In this method money is paid in advance for commodities to ensure continuity of supply throughout the year.

- **8. Total-supply purchasing:** In this type of purchasing all the required items are supplied by a single supplier. This helps in reducing the paperwork and negotiations need to be done with only one person.

- **9. Cost-plus purchasing:** In this method of purchasing a supplier buys all the commodities and provides them to the housekeeping department. The supplier is given a small commission for this.
- **10. Centralized purchasing:** This type of purchasing is done mainly by the chain hotels. They purchase items for all their main properties together. This method helps them to source the items at a cheaper price as the quantity of the order is more resulting in economy of volume.
- **11. Standing order purchasing:** In this method daily supplies are fixed for perishable items such as flowers or groceries.
- **12. Cash and carry method:** This is the method of purchasing where the items are purchased from supermarkets so that the prices are competitive. There are no minimum order level orders of certain items in case of non-availability of delivery services.
- **13. Purchasing from van sales:** This method is rarely used for purchasing in the housekeeping department. In this method purchasing is done from mobile shops which move from one place to another.
- **14. Weekly/fortnightly purchasing:** In this type purchasing is done only weekly/fortnightly. This ensures regular availability of the items and makes the suppliers prices more competitive.

- **15. Daily market purchasing/petty cash system:** In this method of purchasing item quantities in the store are checked on a daily basis and only items falling short are purchased. This method operates as a petty cash system. It is effective for purchasing small order from local market in exchange for bill so that a cash payment is made.
- **16. Cash-on-delivery buying:** The ordering system involves payment on acceptance of delivery. The order may be placed over the telephone or through the internet.
- **17. Cheque-payment ordering:** This is a purchase order and draft system. It is a combination of the order and a blank cheque for payment. Besides the products specification the order also contains delivery instructions, bank account number, unit price quantity, discounts if any, and terms of payment.
- **18. Auction buying:** This method of is useful for purchasing furniture and equipment that are not obsolete. Sometimes certain export shipments that were rejected by the originally intended buyer are also auctioned to other buyer.

References

- **Hotel Housekeeping Operations & Managements (G.Raghubalan & Smritee Raghubalan) --- Oxford Publication**
- **IHM notes site
([://www.ihmnotessite.net/5-Housekeeping](http://www.ihmnotessite.net/5-Housekeeping))**