

Monthly Review of Operating Statements

General Managers should conduct monthly reviews of Operating Statements with department heads.

In order to ensure that the operation meets the financial objectives of its annual operating budget, it is imperative that all department heads monitor their monthly performance closely and be prepared to answer questions about their department's performance and give reasons for any significant variance from budgeted amounts.

On a monthly basis after the final statement is prepared and distributed, the Controller will set up a schedule of meetings for department heads to meet with the General Manager and Controller to review their department's performance.

- Department heads will bring their individual copies of the Tools to Beat Budget binder to the meetings, as well as their departmental benchmarks.
- Department heads must also be prepared to present plans to remedy significant or ongoing shortfalls in revenue or overages in expense categories.
- Managers can best prepare for their monthly meeting by ensuring that their Tools to Beat Budget binder is accurate and up-to-date.
- They must also review their financial statements in detail, noting any under budget revenue and over budget expense categories. Items with significant deviations from budget must be investigated so that these anomalies can be explained to the General Manager.

Significant shortfalls in revenue should be analyzed and a plan drawn up to address the shortages. Such a plan would normally include marketing efforts to increase customer traffic, special events or sales to increase revenues, or price increases to generate more revenue from the same volume of business (though managers must always keep in mind that volume may decrease with any price increase).

Often a particular expense category will be over budget due to timing issues – this happens when a budgeted expense is incurred earlier in the fiscal year than originally anticipated. Such an “over budget” occurrence will come back in line with budget in future months at the time when the expenditure was actually planned. Sometimes, the increased expenses may be the result of an unanticipated event, such as equipment breakdown and repair or an arising opportunity necessitating the purchase of new equipment or materials.

In any case the department head must be prepared to explain discrepancies and answer the General Manager's questions about budget variances and what actions will be taken to remedy the situation.

Ed Rehkopf, Excerpted from [Basic Accounting and Financial Management for Managers](#), Hospitality Resources International