

**Club Resources**  
INTERNATIONAL

## **Tools to Beat Budget**

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### Tools to Beat Budget

Budgets are established as financial plans for the coming fiscal year.

The Accounting Office prepares monthly financial statements for each month of the fiscal year. 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 department does and fails 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 in a more timely manner. Further, 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 course of 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:

- 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 fiscal 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 the 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 a number of key departmental benchmarks that can be compared to budget. If your club does not compile a Weekly Revenue report, it's a simple matter for a department head to track revenues on a daily basis 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 print out of your departmental payroll each pay period.

- Cost of Goods Analysis. This worksheet will be prepared by those department heads with retail sales, i.e., Golf, Food, Beverage, Tennis, and other Retail Outlets. Department heads can compute and track their cost of goods percentage and compare it with the budgeted cost of goods. There is also a checklist of all the things that should be checked to try to find the reason for any out-of-line cost of goods.
- Expense Log. These worksheets allow department heads to record their monthly Other Operating Expenses each month by expense account. By keeping this log, department heads will know how much they have spent of their budgeted amount for each expense category in any given month.
- Expense Summary Log. This worksheet allows department heads to summarize all Other Operating Expenses in one place month-by-month throughout the fiscal year. It also allows them to see exactly how much budgeted funds they have in each expense account.

### Procedures

The Tools to Beat Budget binders will be purchased and distributed to department heads before the start of each fiscal year.

As each Weekly Revenue report and Departmental Payroll Summary Analysis report is distributed, department heads will review the reports and file them in their Tools to Beat Budget binder.

Throughout the month, department heads will record their Other Operating Expense purchases in the Other Expense Log for each expense category and deduct the purchase amount from the budgeted amount. It is understood that under this system departments will record purchases when they are ordered and the Accounting Office posts purchases when they are paid. As a result, the Other Expense Log will not necessarily agree with the Other Expenses shown in the Monthly P&L's. Nevertheless, the exercise of keeping the log is still a good one. If nothing else, it reminds department heads that every purchase has an impact on the bottom line.

Some invoices go directly to the Accounting Office, such as utilities invoices, recurring contractual expenses such as golf cart lease payments and service contracts. In such cases the Controller must make copies of the invoices and provide them to the department heads so they can properly enter them in their Expense Logs.

*I also found it helpful to have the Controller print out each department's General Ledger detail of expenses so that the department head can double check his entries against those of the Accounting Office (again recognizing that they may not align perfectly).*

Departments with retail operations must complete the Cost of Goods Analysis on a monthly basis. Cost of Goods is computed by recording the beginning and ending period inventories, adding purchases made during the period, and making adjustments and transfers as necessary. Those departments with high volume purchases such as Food and Beverage may get a copy of the General Ledger detail for their purchases account and file it in their binder.

### Responsibilities

Department heads are responsible for:

- Maintaining their Tools to Beat Budget binder in an up-to-date manner.
- 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 the 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**

Club Resources International has prepared a number of forms to be used as part of the Tools to Beat Budget program.

Departmental Payroll Summary Analysis, CRI 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, CRI 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 as a whole.

Expense Log, CRI 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, CRI 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, CRI 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 Good Sold Analysis, CRI 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.

#### **The Monthly Review of Operating Statements**

In order to ensure that the club meets the financial objectives of its annual operating budget, it is imperative that department heads monitor their monthly performance closely and be prepared to answer questions about their department's performance.

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 must be prepared to answer detailed questions about their department's performance and give reasons for any significant variance from budgeted amounts. Department heads will bring their individual copies of the Tools to Beat Budget binder to the meetings.

Department heads can prepare for these meetings by carefully reviewing their departmental schedules, obtaining a copy of their General Ledger detail of their expenses from the Accounting Office, and ensuring that their Tools to Beat Budget binder is up-to-date.

Department heads must also be prepared to present plans to remedy significant or ongoing shortfalls in revenue or overages in expense categories.

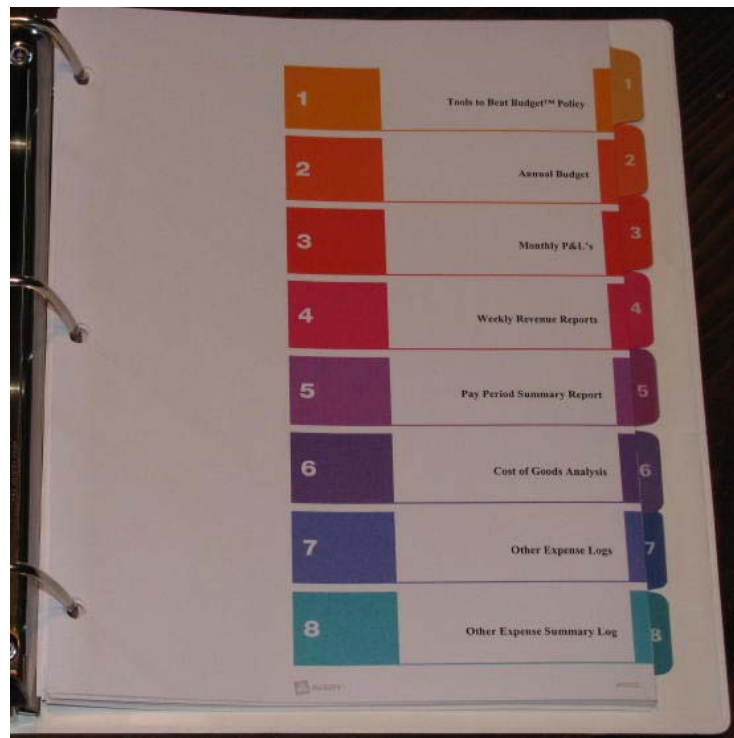
*My own experience with the Monthly Review of Operating Statements meetings is that once department heads became used to the drill, kept their binders up-to-date, and knew the types of questions I would be asking, these meetings took no more than 15 minutes apiece. Longer meetings were only necessary if there were significant problems with meeting budgets.*

### The Tools to Beat Budget Binder

Each department's Tools to Beat Budget is set up in a 3-ring binder. Because of the amount of material that will be filed in the binder during the course of the year, it is recommended that heavy duty, 3 inch binders be used.



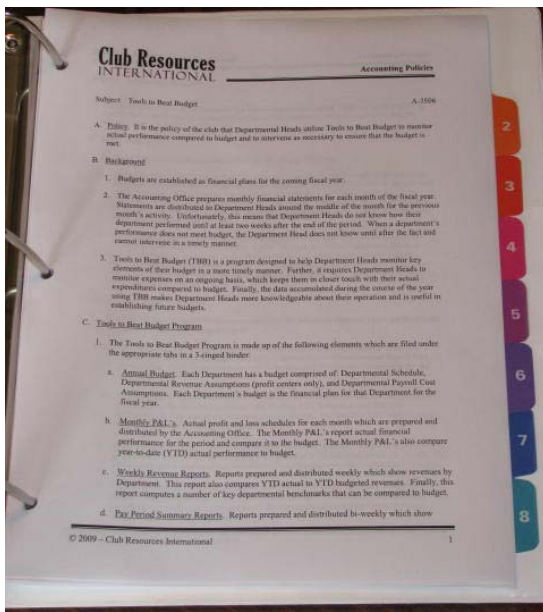
The binder will be set up with eight tabs which are discussed in detail on the following pages.





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## Tools to Beat Budget



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

Your departmental budget if filed under the second tab.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>GROSS REVENUE</b>	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
<b>EXPENSES</b>	800	800	800	800	800	800	800	800	800	800	800	800
<b>NET PROFIT (LOSS)</b>	200	200	200	200	200	200	200	200	200	200	200	200

	Actual	Budget	Variance	YTD Actual	YTD Budget	YTD Variance
<b>REVENUE</b>	1,000	1,000	0	1,000	1,000	0
<b>EXPENSES</b>	800	800	0	800	800	0
<b>NET PROFIT (LOSS)</b>	200	200	0	200	200	0

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.



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## Tools to Beat Budget

**Oak Hill Country Club**      Enter Week # Here: 12      Week of March 22-28, 2007      Weekly Revenue Report

Day of Week	Enter Week # Here							N	Actual	Budget	Surplus (Over/Def)
	Fri	Sat	Sun	Mon	Tue	Wed	Thu				
Member	74	89	17	0	18	41	63	N	307	362.7	N
Guest	175	8	4	0	1	1	1	N	177	177.0	N
Outings	0	0	0	0	0	0	0	N	0.0	0.0	N
Senior Golf	0	0	0	0	0	0	0	N	0.0	0.0	N
PGA Emp	0	0	0	0	0	0	0	N	0.0	0.0	N
Total	249	97	21	0	19	42	64	N	484	549.7	N
Guest Fees (S)	1,113	630	600	0	1,150	244	693	N	12,252	7,266	N
Cart Fees (S)	1,371	1,449	791	0	1,260	528	1,144	N	8,871	2,274	N
Memberships (S)	1,000	11,123	7,961	0	1,493	59	161	N	6,579	581	N
Other Income (S)	1,000	1,100	1,000	0	1,000	1,000	1,000	N	28,500	4,844	N
Total (S)	5,484	24,302	13,352	0	4,013	2,622	3,598	N	54,202	13,724	N
Guest Fwd'd (S)	18,200	19,500	22,000	0	22,000	22,000	22,000	N	74,400	74,400	N
Cart Fwd'd (S)	12,252	12,252	12,252	0	12,252	12,252	12,252	N	12,252	12,252	N
Members (S)	12,252	12,252	12,252	0	12,252	12,252	12,252	N	12,252	12,252	N
Other (S)	0	0	0	0	0	0	0	N	0	0	N

The Weekly Revenue reports for your department are filed under the fourth tab. At the end of the year there should be 52 weekly reports in the binder.

The Departmental Payroll Summary Analysis report for your department is filed under the fifth tab. At the end of the year all 26 will be in the binder.

**Oak Hill Country Club**      Departmental Payroll Summary Analysis      FY-2007

DEPARTMENT: Golf Operations      DATE: 10/23/07

Pay Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	YTD
Payroll Total (B)	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200
Budgeted Payroll	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200	1,100	1,200
Over/Under Budget	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

**Oak Hill Country Club**      Cost of Goods Analysis

Out of line cost of goods sold may be the result of a variety of problems. Analyzing cost of line cost of goods sold is a process of elimination to prepare those processes or actions contributing to the problem.

The Cost of Goods Formula is:  
 Cost of Goods Sold = Beginning Inventory + Purchases - Ending Inventory (+ or - Transfers & Adjustments)

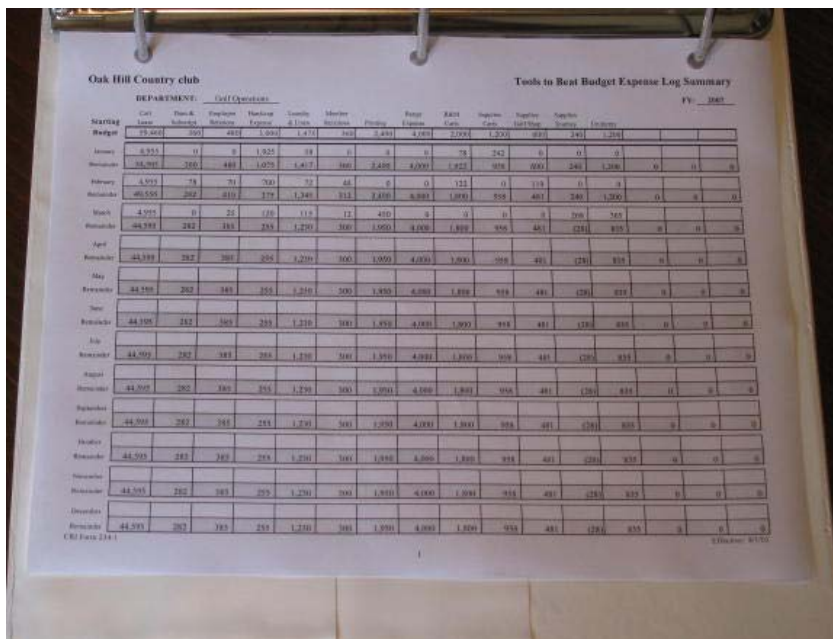
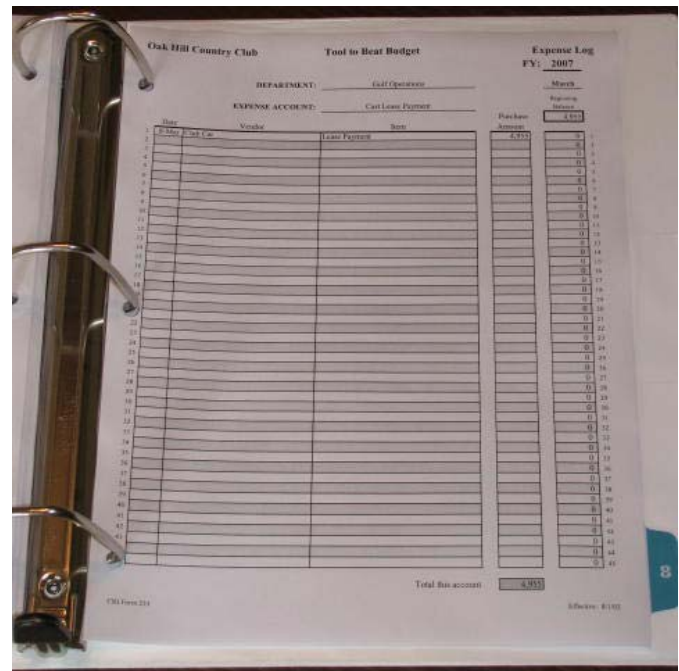
**Cost of Goods Analysis Checklist**

Item	Yes	No
1. Are physical counts correct?	X	
2. Were all items counted?	X	
3. Were estimates of number of items, cost and amounts?	X	
4. Are reasons for correct counts from period to period (LIFO, FIFO, Avg Cost)?	X	
5. Were all inventory received and correctly coded?	X	
6. Were all discounts received and verified?	X	
7. Were not received items created or accepted?	X	
8. Were receiving receipts matched to invoices?	X	
9. Were any shortages on back orders noted?	X	
10. Were all transfers to and from other departments properly recorded?	X	
11. Were all transfers reported to the Accounting officer?	X	
12. Were all returns recorded?	X	
13. Were sales tax analyzed (high levels of low margin sales will increase CoGS)?	X	
14. Was the pricing of all items in accordance with the target CoGS?	X	
15. Were established prices in use and followed by people?	X	
16. Were portion sizes correct and consistently measured?	X	
17. Were portion computer adjustments accounted for as cost?	X	
18. Were employee meals accounted for as cost?	X	
19. Were inventories properly secured at all times?	X	
20. Are vendors allowed into storage areas unaccompanied?	X	
21. Are supervisors explain against petty pilferage?	X	
22. Is there a designated employee entrance?	X	
23. Was any spoiled food accounted for as cost?	X	

Comments: 23 - 8 full scale pre-mix containers not counted in ending inventory. Adjustment for these items lowered food cost by 1.2%.

If you have a retail operation, you must fill out and file a Cost of Goods Analysis under the sixth tab.

Under the seventh tab you will file a completed Other Expense Log for each of your Operating Expense categories.



The last tab contains the properly filled out Other Expense Summary Log.

### **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. His 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.