***IN CLASS BUDGETING/FORECASTING PROBLEM***

**November 20X7**

The Legal Hotel, a 300-room luxury resort in the Bahamas, completes a monthly forecast on the 15th of the current month for the upcoming month. The Spa Director was promoted, and you need to fill in temporarily and complete the forecast for the month of December.

Each month the process is as follows:

1. The Rooms Director provides the Spa Director with the volume of rooms.
2. The previous Spa Director would apply guest capture ratios (% of in-house guest that will use the Spa) to this information along with other budgeted ratios to determine volume and total revenue.
3. Once volume and revenues were determined, the Spa Director adjusted any variable expenses and looks at all fixed expenses in case any changes from the original budget have taken place.

**ROOMS FORECAST INFORMATION**

The Rooms Director did not have time to calculate all the figures but told you the following in an email:

* December occupancy is budgeted at 85% (for the Legal Hotel paid and total occupancy are the same).
* The average rate for December is budgeted at $492.75.
* Market conditions indicate that sold rooms will increase by 1,250 rooms.
* Market conditions indicate that the average rate will decrease by 1.5%.
* The guest per room remains as budgeted at 1.75 guest per room sold.

**SPA FORECAST INFORMATION**

The following changed from the original budget for December:

* A new standard has been issued by corporate to purchase new bathrobes. These robes are much thicker and harder to clean than the old robes. Laundry will go up by $.10 per guest.
* A new hotel opened in November with a much bigger spa, which offers more services. The Legal’s marketing team decided that more specials should be offered to compete with the new spa; so all prices on the Spa Menu have been reduced by 20% from the original budget.
* A new manager was hired which will start December 1. This manager is replacing the previous one who was promoted to another hotel. In order to get the manager to start ASAP, there was a need to pay them $10,000 more than the previous manager.

**Required:**

* Review the 20X7 December Budget Excel file found on Blackboard.
* Copy the 20X7 December Budget worksheet into the 20X7 December Forecast tab.
* Now complete the December Forecast using the information provided.