

Tools for SMALL Businesses

Level 1 Question 14: Do we have a budget and are we monitoring it regularly (e.g., monthly or quarterly).

Title	Operational Budgeting tool
Why	With New departments being created, and the founders delegating more and more responsibility, key decisions with economic impact will be made by more and ore people. These people do not have the same holistic view of the company as the founders used to, and they do not necessarily feel the same urgency to which every dollar. Hence an overall budget and a set of department budgets needs to be put in place
What	<p>An operating budget allows you to compare expenditures, such as cost of goods sold , with revenue or other income sources in order to determine the viability of your business's operations.</p> <p>The preset criteria in an operating budget can help take the guesswork out of assessing your financial health.</p> <p>A template allows you to determine the overhead and administrative costs related to manufacturing products or providing services, in order to determine how close you are to meeting your projected budget.</p> <p>Operating budgets typically provide a way to evaluate expenditures vs. revenue on a quarterly basis, but you can also assess feasibility via week-by-week, month-by-month, or year-by-year periods.</p>
How	<p>An operating budget allows you to compare and contrast expenditures with revenue and other income sources. In order to account for all operational costs – potential and actual revenue – an operating budget should include the following sections:</p> <ul style="list-style-type: none"> • Volume: The number of products or services you intend to provide, or have provided, for any given period • Price: The price per unit or service you budget for clients • Revenue: Project and actual revenue generated by the number of products and services provided, and their associated costs • Total Revenue: The auto-tallied volume of products or services, multiplied by their price • Variable Costs: Fluctuating expenditures that vary monthly or annually • Fixed Costs: Set costs that you can confidently forecast due to their lack of monthly or annual variation • Net Income: The money your business has available to spend, minus any taxes, etc. <p>Keep in mind that while many expenditures are recurring, you need to simultaneously consider one-time costs. Seasonal expenses will also impact an operating budget, as will any promotional events for which you plan to spend more on advertising or marketing.</p> <p>Annual operating budget data (projected vs. actuals) offers a long-term picture of a company's continued operations. However, it's often the month-by-month insights provided by an operating budget that exposes how unexpected costs affect the bottom line. Having short-term insight into initial projections can protect you from the surprise of unaccounted-for operating costs.</p>

Monthly comparisons of expenditures vs. revenue provide a surgical perspective that, once incorporated, informs the successive progress of your future operating budget considerations

Examples

Overall Company Operating budget

ANNUAL OPERATING BUDGET TEMPLATE

YEAR TOTAL TO DATE: \$ -

INCOME	Q1				Q2				Q3				OCT	NOV
	JAN	FEB	MAR	Q1 TOTALS	APR	MAY	JUN	Q2 TOTALS	JUL	AUG	SEPT	Q3 TOTALS		
SALES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Product 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Product 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Product 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cost of Goods sold	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Direct cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTALS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENSES	Q1				Q2				Q3				OCT	NOV
	JAN	FEB	MAR	Q1 TOTALS	APR	MAY	JUN	Q2 TOTALS	JUL	AUG	SEPT	Q3 TOTALS		
OFFICE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries & Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Supplies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Repairs/Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Furnishing/Appliances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lawn/Garden	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TRANSPORTATION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Car Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auto Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fuel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Transportation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Repairs/Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Registration/License	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
UTILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gas	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Electric	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Disposal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ENTERTAINMENT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Video/DVD/Movies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Concerts/Plays	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sports	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outdoor Recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTALS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Team or department Budget

**Company XYZ
Team A
Budget (\$)**

	July	August	Sept	Oct	Nov	Dec	Jan	Febr	March	Apr	May	June
Website development	1.000	500	1.000	500	1.000	500	1.000	500	1.000	500	1.000	500
Web hosting	1.000	500	1.000	500	1.000	500	1.000	500	1.000	500	1.000	500
Product Development	1.000	500	1.000	500	1.000	500	1.000	500	1.000	500	1.000	500
Marketing	10.000	300	300	300	300	300	300	300	40	20	40	20
Rent	1.040	520	1.040	520	1.040	520	1.040	520	1.040	520	1.040	520
Business trip	1.900	950	1.900	950	1.900	950	1.900	950	1.900	950	1.900	950
Consulting fees	800	800	800	800	800	800	800	800	800	800	200	100
Utilities	4.000	2.000	4.000	2.000	4.000	2.000	4.000	2.000	4.000	2.000	4.000	2.000
Phone bills	1.000	500	1.000	500	1.000	500	1.000	500	1.000	500	1.000	500
IT	1.000	500	1.000	500	1.000	500	1.000	500	1.000	500	1.000	500
Office furniture	8.000	100	200	100	200	100	200	100	200	100	200	100
Total Expenses	30.740	7.170	13.240	7.170	13.240	7.170	13.240	7.170	12.980	6.890	12.380	6.190

Follow up:
Focus on deviations

	PROFIT & LOSS CATEGORY	JAN	FEB	MAR	Q1 TOTAL
	REVENUE				
	BUDGET	\$ 1.000,00	\$ 1.000,00	\$ 1.000,00	\$ 3.000,00
	ACTUAL	\$ 500,00	\$ 700,00	\$ 1.100,00	\$ 2.300,00
	VARIANCE	\$ (500,00)	\$ (300,00)	\$ 100,00	\$ (700,00)
	PREVIOUS YEAR ACTUAL	\$ 700,00	\$ 1.100,00	\$ 800,00	\$ 2.600,00
	PREVIOUS YEAR VARIANCE	\$ (200,00)	\$ (400,00)	\$ 300,00	\$ (300,00)
	COGS Cost of Goods Sold				
	BUDGET	\$ 1.000,00	\$ 1.000,00	\$ 1.000,00	\$ 3.000,00
	ACTUAL	\$ 500,00	\$ 700,00	\$ 1.100,00	\$ 2.300,00
	VARIANCE	\$ (500,00)	\$ (300,00)	\$ 100,00	\$ (700,00)
	PREVIOUS YEAR ACTUAL	\$ 700,00	\$ 1.100,00	\$ 800,00	\$ 2.600,00
	PREVIOUS YEAR VARIANCE	\$ (200,00)	\$ (400,00)	\$ 300,00	\$ (300,00)
	SALES / MARKETING COSTS				
	BUDGET	\$ 1.000,00	\$ 1.000,00	\$ 1.000,00	\$ 3.000,00
	ACTUAL	\$ 500,00	\$ 700,00	\$ 1.100,00	\$ 2.300,00
	VARIANCE	\$ (500,00)	\$ (300,00)	\$ 100,00	\$ (700,00)
	PREVIOUS YEAR ACTUAL	\$ 700,00	\$ 1.100,00	\$ 800,00	\$ 2.600,00
	PREVIOUS YEAR VARIANCE	\$ (200,00)	\$ (400,00)	\$ 300,00	\$ (300,00)
Template	See Excel file				