



FIVE STEPS TO CREATE A BUDGET FOR YOUR SMALL BUSINESS

How I hate budgets! Every time an accountant told me to put together a budget for my company, my response was - "When I get the time I will!" I just never seem to get the time. For several years when I first started my company I never paid attention to a budget. I knew if I made money by looking at my financial statements and that was good enough for me. Also, every time I tried to put something together I never compared my actual financials to the budget numbers I created. Two years ago, I decided to take a different approach. I developed a forecast for a quarter of what I expected income and expenses to be. I came up with the figures based on the previous year's actual numbers. It was easy to look at last year and just add a percentage increase to the numbers. Then I took the time to review once a month the forecast with where we were at that point. By using this system of creating a forecast and comparing that to actual financials on a monthly basis I was able to focus on income areas that were falling behind and stop expenses that I didn't need to make. I am an avid fan of informational products. I buy thousands of dollars every month. With the forecast in place I caught myself spending more than I allocated and was able to just cut back the next month. The great thing about this system is that you are not locked into a specific figure each month but yet you stay within guidelines of where you want to be before the year or quarter finishes. The best way to set this up is to use a financial program such as Quickbooks or Peachtree. Track all income and expenses using the software. The next step is to print financial statements that track what you have done. Then take the numbers of your financial statements and increase your income by the percentage you want to raise revenue by. Then look at expenses and determine what categories will increase based on the sales increase. This will become your financial projections. The last step is to review your actual financial statement (Income Statement or Profit and Loss) to your projections. Have systems in place to increase revenue and decrease expenses as necessary.

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