

BUSINESS BUDGET PLANNING



**HOW TO AVOID PITFALLS
IN BUDGETING FOR YOUR BUSINESS**

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Foreword

All businesses start out with three main elements prominently featured in the general make up of the endeavor. These would be listed as revenue to be earned, expenses to be incurred along the way and the projected profits expected. These three categories are usually studied in depth before the actual business entity is launched and through this process there is always the need to have an effective budgeting platform in place. Get all the info you need here.

Business Budget Planning

How to Avoid Pitfalls in Budgeting for Your Business

Chapter 1:

Businesses Budgeting Basics

Synopsis

In determining the total revenue the budgeting exercise can take on a rather stressful state if this is not done in a factual and clear manner. Having a clear picture, statistically, of the revenue expected and the revenue streams where the identification of the ways the business entity if going to make money will contribute to the actual business engine's financial status. This form of budgeting is important in ensuring the business entity does not project unrealistic revenue earnings that will eventually fall short of the expectations.

The Basics

The expenses which usually fall into three separate categories such as the semi-variables, fixed costs and the variables are also usually considered in the budgeting exercise. All these calculations are done on the monthly ratio which the business progress dictates.

This is the most detailed section of the business engine and usually also required the most attention when it comes to managing the costing elements.

The profits meant to be derived are usually the reasons why the business endeavor is being taken on in the first place, thus the basic profits calculated are also part of the budgeting process.

Successful business entities calculate the monthly budgets and make the necessary adjustments accordingly to ensure optimum profit making probabilities. Calculations for budgeting purposes can also be done on a daily, weekly or monthly basis depending on the individual business requirements and style.

Chapter 2:

Steps To Better Business Budgeting

Synopsis

Without proper budgeting techniques in place, the business entity runs the risk of not being able to get a handle on the financing aspects, thus creating a lot of eventual complicating scenarios which become a nightmare for the business. Being able to accurately estimate the expenses and revenues expected is important to any business entity as it is one of the ways to ensure the proper finances are available at any given time to enable the business to run smoothly.

The Steps

The following are some tips on how to ensure the budgeting exercise for the business is on track and effective:

Checking industry standards and sentiments of the time is something that needs to be done periodically as the percentages of revenue earning possibilities are often affected by the market behaviors.

The smaller the business entity, the more likely it is to be affected by the volatility of the market, and this is especially so when there is a downturn in the economy.

Designing an accurate spreadsheet is another essential element that should be included as part of the budgeting exercise. Making clear estimates on the revenue amounts expected against the percentages allocated toward tools and materials relevant to the business will give a clear overview of expected expenses incurred.

Factoring some degree of slack and avenues to cut cost can also be clearly reflected in a comprehensive budgeting exercise.

Understanding that there is bound to be a lot of movement within the economy that will eventually have some bearing on the business entity and then taking the necessary financial step to limit its liability will help to keep the budgeting exercise more realistic.

Ideally this will also provide better for better cost cutting exercises that can positively contribute to the overall success of the business.

Chapter 3:

How And What To Consider When Preparing A Business Plan And Budget

Synopsis

All businesses at some point or another have to consider the preparing of a business plan and budgeting exercise for its key contribution of the success and smooth running of the business engine.

What To Think About

There are many elements to consider in such an exercise and the following are just some of the more necessary considerations recommended:

Business plans and budgeting exercises are designed to give those involved in the business a fairly accurate and current assessment of the business and its future intended direction.

The plans will also ensure the relevant information is available to assist in the business growth based on the funds available. Such information is essential to the business, especially if there is a need to secure financing facilities such as overdraft tools and bank loans or venture capital funding.

The business budget should ideally be the most accurate form of documentation available for the continuous reviewing of the business environment against the actual performance the business is running at. Most of the budgeting exercises reflect information on a monthly, quarterly, half yearly and annual basis.

Focus should be given to area such as the reviewing of the current year's progress based on the decisions that brought about the present positioning of the business entity.

All objectives and strategies that are in place or projected to be so through the action plans and benchmarks it is measured against. Resources should also be considered for its consistency and reliability, as these elements can and usually do effect the business in some way or another when problems arise.

The anticipated results are also something to be considered as it may require changes to be made is such anticipations take on a negative form.

Therefore on several different levels the benefits are evident when there is proper planning stages set up in the form of business plans and budgets.

Chapter 4:

The Ins And Outs Of Corporate Budgeting

Synopsis

Corporate budgeting is important to any business entity where the financial position of the company dictates the strategies, motivations and achievements that are to be chosen.

Big Business

The following are some of the issues that most corporate budgeting exercises encompass:

The designing of the budget and then the processes involved in informing the various levels within the company structure which may include all subsidiaries and linked business units.

It also provides the clarity and consistence, though in quite general terms regarding procedures, responsibilities and time lines that would have direct connections to the corporate budgeting exercise.

With the corporate budgeting in place there is a definition of strategy success factors and organizational performances indicators in place that can better gauge the overall condition of the company's performance. The methodology used can also be assisted using the relevant software, especially when implementing budgeting software.

There is also the possibility of being able to have follow-up process added into the general outline to analyze and variances that may be evident.

The definition of revenue, cost and balance sheet items will be able be better observed through the more complete corporate budgeting tools thus providing information that is vital for future consideration.

The cycle time which would ideally include the streamlined consolidation procedures will also be dealt with and worked out through the budgeting process, all of which is much simpler and more

effective and ensures the eventual smoother running of the business entity.

There are a number of software programs available that can assist in making the whole process a lot easier, as the more recent software take into account the complexities arising from the reconciliation problems of streamlining spreadsheets and workbooks reporting structures. This will be helpful when clearer overviews are needed to make accurate projections for the company.

Chapter 5:

Including Social Business Budgets In The Plan

Synopsis

Every business needs a social business plan template, and this will vary according to the business style and direction the business is to take. For some the use of social media tools would be an added advantage while for others having the budget to have trainings conducted periodically on the social business working s presents a better option. Either way any use of budget for the social business platform should ideally bring forth positive results.

The Social Side

Budget planning should be in line with the idea of providing all the assisting skill to its work force to ensure the business entity is made into a successful one.

As social strategies have proven to meet the most integral part of the business direction, there is a definite necessity for this exercise to be included in the budgeting plan.

The normal processes would include the maturing of the work force structure in accordance with the social business style thus creating a better and more functional force as the business entity grows from strength to strength.

The budget should ideally comprise of the following important component which are the internal soft costs which is from staff, education and training.

The R&D sectors also get the relevant attention for the budgeting allocations. When it comes to addressing customer issues there should be allocations for marketing, blogger outreach and other assisting tools that would help the business entity understand the customers grievances if any better.

As for the technological advancement, the budgeting provided for here should create the possibility of having social media managements systems in place or any other community platforms where engagement and interactions can be done is a proactive way.

If there is an advanced social business budget in place, then other elements can be addressed such as the shift of resources with the social business initiatives that have to this point been done internally, to using external assistance such as services and agencies that promote such facilities.

Chapter 6:

Impacts Of Debts On Business Budgets

Synopsis

It may be rather surprising to note that there are some debts that are considered “healthy” debts within the frame of a business budget. These may include debts incurred during the course of setting up the business which are normally looked upon as investments but are none the less debt incurring costs.

Debts

In the effort to keep these debts from becoming the focal point of the revenue earning desired there are ways to limit its impact. When deciding to start a business, the individual should take into account all the different aspects that the business would have to focus on, and all the relevant tools it would need to do so effectively and efficiently.

Once there is a clear outline of such needs then sourcing for these without creating huge impacts on the actual budget available for the business would be a good start.

Looking into possibilities of acquiring used supporting materials and tools, cheaper yet effective ways of advertising, working out of a smaller and less fancy environment, keeping overhead to a minimal, looking into tax reliefs and rebates are just some of the actions that can be taken.

All these should be able to contribute positively to keeping the initial start up cost lower, thus providing a healthy cash flow that would allow the business entity to start off on a better footing.

If this is not possible based on the investments necessary to get the business going then other options need to be explored such as working the business entity to its optimum so that the investments will be justified and the debts incurred will not be considered a bad

business tactic. Finding ways to maximize the business engine to produce the desired revenue at a much quicker pace will also eventually allow the debts to be cleared or brought to a minimum thus preventing it from eating into the profits made.

Chapter 7:

Managing Business Budgets And Finances Together

Synopsis

For many businesses, being able to find a balance between these two seemingly similar elements can prove to be a rather uphill battle that eventually spills over into the actual business survival itself.

Putting It Together

Most businesses especially the smaller start up ones, run into trouble soon after its operations begin, due to a variety of factors all of which revolves around finances.

For the enthusiastic business owner, the initial action of providing credit to customers may end up being a very poor business decision that will cost the business entity its future.

By this action the intention is to entice the customer to make a commitment with the promise of eventual payment forthcoming. However this style does not really help the business entity as a whole.

In order to start up the business, there may have been debts incurred which require the servicing of interest, thus without some incoming revenue immediately enjoyed, such debts will not be adequately serviced thus incurring the possibility of even further debts and this will eventually be the factor that falters the positive business growth.

To minimize this possibility, the business owner should have a strong budgeting and finance allowance in place where all possibilities have been explored and suitable actions have been designed to counter or address any of the possible anticipated problems. Elements such as credit control systems should be well

planned and firmly in place to ensure the business engine is not compromised in any way. Using the initial finances all budgeting exercises should be done in an in depth form so that additional finances are not needed nor encouraged.

Wrapping Up

Although some may argue, that getting into cash flow difficulties is not unusual or catastrophic being able to avoid this would be a good way to start and maintain a successful business. The important point to remember, is to keep the budgeting exercise well within the finances available.