

## BUDGETS & FORECASTS

**Every business needs a budget if it is to maximise its chances to survive and grow. A budget sets revenue targets, monitors costs and aims to achieve a certain level of profitability and is the key to reaching your financial goals.**

All too often businesses operate without clear plans to help them get to where they want to be. A budget helps create a financial plan that lets you control your business's cash flow instead of it controlling you. A budget is really a simple tool that allows you to put your money where it can best be used.

The budget will tell you how much money you need to make every month just to keep your business afloat helps you ensure that your expenses do not exceed your income so that you stay in business.

For a business to grow and survive in today's dynamic environment where profit margins are squeezed and businesses are forced to operate with lower costs, budgeting and forecasting are important financial disciplines for business success.

The challenge not only lies in drafting the budget, but also in operating within the constraints of the budget to generate income that provides revenue for the business.

While many people use the terms budget and forecast to mean the same thing, the following definitions may help you to differentiate between them:

- ✓ **Budget** A detailed projection of expenses for a fixed period (often 12 months) set before the start of the period. Budgets are based on a range of assumptions about external market conditions and internal performance. Budgets help you to control your business's cash flow instead of it controlling you.
- ✓ **Forecast** A conservative estimate of how much sales revenue you'll have next year. Look at what you made last year, and extrapolate and forecast from that based on likely market conditions. In effect, budgets and forecasts are detailed financial extensions to the business plan. They set out the financial expectations of the business. They also guide decision-making and where the business will invest its resources (inventory, staff, plant and equipment) and predict business results.

**In consultation with you, we prepare your business budgets and forecasts so that your business has a clear vision of financial and cash flow outcomes going forward**

**CONTACT US FOR AN OBLIGATION FREE DISCUSSION**