

Creating a Business Budget

Creating, monitoring and managing a budget is key to business success. It should help you allocate resources where they are needed, and should not be complicated. You simply need to work out what you are likely to earn and spend in the budget period.

Begin by asking these questions:

- What are the **projected sales** for the budget period? Be realistic - if you overestimate, it will cause you problems in the future.
- What are the **direct costs** of sales - ie costs of materials, components or subcontractors to make the product or supply the service?
- What are the **fixed costs** or overheads?

You should break down the **fixed costs and overheads** by type, eg:

- *Cost of premises, including rent or mortgage, business rates and service charges*
- *Staff costs - eg pay, benefits, National Insurance*
- *Utilities - eg heating, lighting, telephone or internet connection*
- *Printing, postage and stationery*
- *Vehicle expenses*
- *Equipment costs*
- *Advertising and promotion*
- *Travel and subsistence expenses*
- *Legal and professional costs, including insurance*

Your business may have different types of expenses, and you may need to divide the budget by department. Don't forget to add in how much you need to pay yourself, and include an allowance for tax.

Your business plan should help in establishing projected sales, cost of sales, fixed costs and overheads, so it would be worthwhile preparing this first. Once you have figures for income and expenditure, you can work out how much money you're making. You can look at your costs and work out ways to reduce them, as well as seeing if you are likely to have cashflow problems, and giving yourself time to do something about them.

Stick to your budget as much as possible, being sure to review and revise it as needed. Successful businesses often have a rolling budget.