

A woman with long brown hair, wearing a grey double-breasted suit with a dark shirt and a blue pocket square, is walking on a red carpet. The background is dark, and the carpet is illuminated by a spotlight.

Guide to

— STARTING A —

business

— BUDGET —

Every business needs a business budget to give clear insights into expenditure and income, allowing you to better manage and forecast your finances and realistically plan for profit. Your business budget will be a clear report on how your business is performing financially, so that you can plan ahead strategically, without any nasty surprises.

Simplify put, a budget will allow you to identify how much you are spending each month, against how much you are earning, to give a realistic financial view of your business, minimising any financial risk.

Below are our top tips on how to create a successful business budget.

Budgets should be done on a monthly basis and split into financial years, and can be recorded using any spreadsheet software that you have. So you will have a different spreadsheet for each year you are in business. Be sure to save these spreadsheets on a Cloud based server, so that if your laptop is damaged, they will never be lost.

Your spreadsheet should record the following:

- **Regular fixed expenses**, which are expenses that remain the same each month such as rent, staff wages, production costs, insurance etc.
- **Variable expenses**, which are costs that change month on month, such as production or supplier costs, purchased assets - such as new laptops or phones for business use, client entertaining etc.
- **Gross income** - how much money you have made in that month.
- **Net income** - how much money you have made less your fixed and variable expenses. This will reveal how much profit you have made.
- **Forecasting ahead** will enable you to not only grow your business but to investigate ways you can make more money in the long term. Forecasting can be done up to a year in advance, although it's important to know these figures are not set in stone and should be adjustable.

To your spreadsheet, add a separate column in a different colour and populate it with the following:

- **Forecasted income**, otherwise known as your sales projections for that month/year. How much revenue do you plan on making (your business objectives will detail how you plan on reaching this target). This should sit next to your gross income cell.
- **Forecasted profit** - your forecasted income less your fixed and forecasted variable expenses. This should sit next to your net income tab.
- **Once you have your actual figures of how much you made and spent each month**, you can calculate the difference between your forecasted/budgeted figures, and your actual figures. Be sure to record this on your spreadsheet.
- **Did you hit your budgeted figures?** If you did, how can you continue to grow and expand on what you have been doing?
- If you didn't hit your forecasted figures, why not? How can you change this going forward? What can you do differently? What do you need to fix?
- **Of course**, projections are easier if you are in year two of your business because you will have something to base your figures on. However, if you are setting up your first business budget, use your business objectives to create your forecast and have targets to work towards.
- **Accurate and up-to-date business budgets** are also vital when it comes to filing your taxes, so remember to number and file all of your receipts, separated by month, and ensure they tally with your spreadsheet. This will save you a lot of time and heartache down the road.