

Solutions Article 1

How to Prepare a Budget your Business Can Grow By

Running a business without a budget is like navigating a ship without a compass. Setting aside time to examine and revise your budget periodically gives you more options when making important decisions about where your company should be going and growing.

Assess Your Finances

The first step in developing an accurate and reliable budget is to take a look at your finances. Review income and expenses. Previous records, financial statements and tax returns are important documents for reviewing.

If you're just getting started, consider using a budget from a similar business as a model. An experienced accountant may be able to provide you with some samples and standard benchmarks for a business of your type.

List Expenses

Once you have compiled all your documents and information, list your expenses.

Consider whether you want to develop a budget for 3, 6 or 12 months. Create appropriate categories for all of your expenses: rent, wages, inventory. Always remember to set aside money for emergencies, slow business periods and economic downturns.

If your business is just getting started, you may decide to create a budget for a short time so that you can start to analyze your spending patterns, cash flow and inventory.

Examine Spending Habits

Analyzing your spending trends and considering your finances will help you project amounts for each category of your budget. Always remember to routinely re-examine your budget.

You may want to create benchmarks for shorter periods. Budgets with benchmarks for month-long or 2-week periods can make the whole process easier to manage.

Review the numbers periodically and adjust them if your business conditions change.

Stick to Your Budget

Once you have a working budget, it's important to stay on course and stick to it. A budget is only useful if you review it and use it as an opportunity to analyse your business trends. Sharing it with your team, financial advisors and accountant can help you move successfully into the business you've envisioned for yourself.

If your accounting software has the capacity to input your budget – this will allow you to print reports that will compare your budget to your actual results. Most generic software packages offer this option.

If you need assistance with preparing or implementing a budget for your business, contact our dbsn premium team – they have budgeting tools and templates to assist you with this process.

Solutions at a glance...

- Assess your finances
- List your expenses
- Examine your spending habits
- Stick to your budget