

AdvanceMe's Small Business Tip: April 23, 2008

Building Blocks of a Better Budget

In business, every plan needs a budget. From a small media blitz or interior renovation to a product roll-out on the largest scale, the budget set and your ability to stick to it are closely aligned with your professional profitability.

The following simple tips can help you to look at some of the foundations for building budgets that will later make the best possible business tools.



- **Use Software and Worksheets with Formulas.** Put down the abacus, and stop counting beads: budgeting software has come a long way in the past decade. Accounting software and programs allow you to build worksheets, formulas, and spreadsheets that can make everything easier, more accurate, and best of all, faster. You can purchase relatively inexpensive software and there are even many free documents and spreadsheets now available through a simple search on the Internet. The right worksheets can help you to reduce the probability of human errors and they will make it easier to compare and delve into larger ranges of data. You can use simple worksheets to track daily progress and project the future outcomes of many initiatives.
- **Use Common Sense.** Inflated or distorted numbers won't help the business. Sometimes it might feel that if you can show bigger numbers you can get more initial buy-in from other stakeholders, but don't believe it. Projecting numbers that aren't realistic might look impressive in the project plan, but when your stakeholders are measuring the return on investment they will have questions. Be aggressive, but always within reason. Offer realistic numbers based only on research and fact. While everybody wants a happy ending, your budget is no place for fairy tales.
- **Fixed Costs.** Make sure that when creating a budget you are adding in any associated fixed costs (could be rent, utilities, storage, transportation, training, packaging, etc.). These costs are not always obvious (as with utilities or some types of service fees), but cannot be missed in building an accurate budget. Overlooking or ignoring fixed costs could directly affect a project's overall profitability.

It's important to remember that a budget is like a blueprint for controlling spending and measuring profitability. A little bit of flex from the original plan should be expected. However, if your numbers are continually off-the-mark it is probably time to look at the source and really understand your complete budgeting process.

In the end, the better you become at setting realistic budgets, the better you can start to gauge your overall profitability. In many cases, the ability to set and stick to a realistic budget allows a business to go from one that is reactive and wondering, to one that is decidedly proactive, decisive and motivated.

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