

Budgeting: A lifeline to growth

For many start-ups, they opened their doors for business without ever having a formal plan or budget on paper — just a passion to start a business and a desire to make it happen. Once they experience some level of success and begin generating revenue, many small business owners want continued growth. At this point, many decide to ascertain the health of their companies which generally leads to formalizing a business plan that might include establishing goals and strategies, determining the status of their current market environment, and developing a budget.

Budget can sometimes be a scary word, even for businesses. For the health of your business, developing and maintaining a budget is essential to growing a successful company. The right accounting application can assist you with this task.

First, develop or review your business plan, and make any updates as necessary by answering question such as:

- Does the current plan reflect your short and long term goals, strategies, current market environment?
- Are you anticipating any changes in the market?
- How you are going to achieve your goals, etc?

Next, create a budget/forecast to reflect your business plan and your knowledge of the market and economy. Most companies use existing financials and adjust them based on the business plan. Other budget influencers may include:

- **Sales** - does your business plan reflect a target of 10% growth in sales, or are you introducing a new product?
- **Cost of goods sold (COGS)** - COGS should reflect the changes in sales and changes in product as well as other economic influences such as inflation for the materials. Beware of automatically increasing COGS by the same percentage as sales, particularly if your market is price sensitive and you cannot pass on cost increases.
- **Cost of employees**, including contractors - include raises, the change in the number of employees to support your plan, changes in benefits whether it be cost increases or additional benefits, additional training requirements, etc.

Peachtree makes it easy for you to create and adjust budgets, as well as analyze variances between the financial results versus the budget. You can easily develop a budget in Peachtree with:

- Actual financial results
- A copy of another budget
- An imported spreadsheet.

- Or, you can manually enter amounts.

Once you have the numbers in place, Peachtree makes it easy for you to adjust the budget as needed. You can adjust an individual amount, a group of amounts, or the entire budget at one time. You can easily round amounts, or adjust by applying a percentage or dollar amount of change, or copy new values from Excel.

In addition, you can create multiple¹ budgets in Peachtree that reflect different forecasts and *what-if* scenarios including best case, worse case, etc.

Annual budgets should not be set in stone since they can be affected by many variables that require it to be reviewed and adjusted regularly. Depending on your industry and company, budgets should be reviewed at least quarterly and re-forecasted if there are significant changes.

¹ Only in Peachtree Premium Accounting and Peachtree Quantum.