

BUILDING YOUR BUDGET

Why do I need a budget?

Put simply it creates financial stability and gives you a snap shot of how your business is tracking. Seeing the short falls and areas for growth is much more easily managed on a month by month base rather than a year on year. It helps you to save for larger capital projects and helps you ensure you are paying your bills and overheads on time.

What do I need to put in my budget?

All of your incoming revenue, all of your outgoing costs you can also put things on there that are "aspirational" meaning if you are tracking well on your budget these are things you would like to be able to afford. You should also include the previous years actuals so you can see your year on year growth.



Revenue

This refers to the money you make. You can pull this information from invoices that are paid, the reading on your cash register at the end of the day, your eftpos terminal, and a report you generate from your financial software.

It can also include deposits for future work and interest from investments.



COGS

Cost of goods.

This is basically what it costs you to make your product or deliver your service.



Overheads

This is anything other than the costs of your product or service, i.e. electricity, loans, internet, fuel, rent.

Although both 'COGS' and 'Overheads' are outgoings, it is important to split the two, especially if you are struggling to make money, as you will be able to see where the issue lies.

If it is COGS, is your product priced correctly? Can you source cheaper materials?

If it is in the overheads, consider sometimes things that are out of your control (like electricity), however it may mean you need to cut back on other areas, or look to a long term investment like solar.

Splitting these outgoings up makes it easier and quicker to identify potential issues.