

BUDGETING OVERVIEW

What is a business plan and what should be included in it?

- A business plan is a plan for your business that works as a guide, defines services, and explains the benefits of those services. It helps you determine your goals, make a money management plan, and it tells you how you will help your business grow. It should include benchmarks, productivity, revenue and cash flow, track inventory, and monitor expenses.

What are some tips for estimating how much money other people will pay for your products or services?

- Some tips for estimating how much money other people will pay for your products or services include:
- Determine how long it will take to build a customer base
- Estimate how many customers you might have, how much they will buy, and how often they will come back.
- Calculate each product and service separately
- Find out what is in your control and what isn't
- Put yourself in your customers' shoes to evaluate the effectiveness of your plan.

Describe some limiting factors of your business.

- Some limiting factors of your business are:
- Production capacity may be limited based on available space.
- Buying supplies should only be what you can find and buy.
- Sell only what you can deliver.
- Logistics should be based on production and delivery limits, and how much money you can sell and make.
- Expertise may involve the cost of retaining the expertise your business requires.

Why should small businesses delegate human resource management to professional services?

- Small businesses should delegate human resource management to professional services because benefits and payroll require extra precautions due to legalities and the IRS monitoring business activities closely. It's important that payroll processing is free of errors and that a small business financial advisor can guide you on benefits packages.

What are the advantages of being up to date in bookkeeping?

- The advantages of being up to date in bookkeeping include:
- It reduces costs such as late fees penalties, and interest.
- Catch problems and errors sooner to mitigate any potential damage.
- You know your business better because you understand the cash flow of it.
- Records are more accurate if you stay caught up.
- Planning and forecasting is easier because you have clear records.

Describe the options for credit when available cash is low.

- Options for credit when available cash is low are:
- Line of credit: This is a revolving loan that lets you borrow what you need up to the maximum credit line.
- Loans: Good sales and high revenue help you use collateral in times of need. You know that you can pay it back when things pick back up.
- Investments: Use extra funds to invest in growing your business or save it for business emergencies.
- Friend support: Others can invest into your business if necessary, but you should keep in mind that you will have to pay them back even if things don't work out with the business.
- Venture capital: Look for venture capitalists willing to invest in your business. You should deliver the rate of return for them if you choose this route, as expectations are often high.
- Stock offerings: IPOs are public stocks that can help your business, but regulations can be complicated so it's important to understand them fully before making an initial public offering.

What are some ways to manage accounts payables when available cash is low?

- Some ways to manage accounts payables when available cash is low include:
- Get a loan or borrow money from a line of credit.
- Make partial payments to major suppliers by contacting their accounts receivable to explain your situation and use written documentation to follow up.
- Use 30, 60, or 90-day plans for extended payment arrangements.

- Arrange a plan with your staff if their pay is delayed.

What are some perspectives to consider when setting prices?

- Some perspectives to consider when setting prices are:
- The buyer's perspective: Determine the hard dollar value of what you offer.
- The company's perspective: Your prices should be able to pay expenses, maintain operation, or even invest in future efforts. Setting the bar too low will make you lose money.
- Competitor's perspectives: Charge less or price match to distinguish yourself.
- The market perspective: Under the relationship between supply, demand, and price to be prepared for any unexpected changes in your market.

What are three ways to make a customer consider a bid that is not the lowest price?

- Three ways to make a customer consider a bid that is not the lowest price include:
- Proven reliability: If you can guarantee the delivery of your services than the lowest bidder, the customer may invest in your proposal even if it's higher because they trust that you will follow through.
- Higher quality: Use reliable products, better training, and better customization to show that your products and service are worthwhile.
- Added value: Use specific items in your proposal to show that your higher price is worth the higher bid.
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What are some of the reasons for making a budget?

- There are several good reasons for making a budget. Budgets help ensure that the funds you need for resources are available. It's important to know how the money will be used and who requires those funds. Budgets help you stay on track and ensures that operating expenses are covered and well accounted for. If costs are accurately forecasted, the business can maintain profitability and there will be no surprise expenses. Making informed decisions about the budget helps identify over-spending and allocates resources in an efficient matter.

Who are some of the people or groups who would read the budget?

- Some of the people and groups that read the budget are other people on your team. This may include your boss, the financial department, accounting department and human resources. Your boss has to read the budget to ensure it is accurate, complete, and clear. They also approve and help the financial department acquire the funds so it's important to make sure that the budget is as concise as possible. The accounting department tracks and

manages all business financial transactions. Human resources helps determine salaries and other employee-related expenses. It's vital that all members of your team assist you in determining whether the budget is as close to forecasted expenses as possible.

What is the difference between a Line-item budget and a Block budget?

- A line-item budget is a list of expense categories and has a set amount of funds allocated for each line-item or category. A block budget is where a block of money is provided, and you use those funds as needed. The main difference between the two is that line-item budgets offer less flexibility than a block budget. You can spend more or less on a specific category if necessary. It's important to stay within the block budget amount that you choose.

What are the 8 steps to creating a budget? Please explain each step.

- Step 1 – Gather information about past expenses and project the next year's budget based off of those numbers. The projection of last year's numbers is a starting point for the budget, and the actual numbers may vary after further research.
- Step 2 – Understanding each line is important because you have to know what expenses are required for which areas and consult with those areas to determine what the actual business needs are. They are the ones that know how much of the business supplies are actually used. It's important to ask why and dig a little deeper to fully understand what your budget should be for each line item.

How can Spreadsheet programs such as MS Excel be useful in creating a budget?

- Spreadsheet programs such as MS Excel are useful in creating a budget because they help you stay organized, and calculations can be entered for easier math. Adding formulas and automated calculations help you spend more time on making sure you stay within your budget because it saves time. It is important to double-check the calculations before approving the budget to ensure it is accurate.

List the steps for creating a consolidated budget from several smaller budgets.

- List account codes in column B. There should be a code for the group total beneath each group.
- List all account groups and sub-accounts, or line items, in Column A (Expenses).
- Make a column for each budget you are consolidating.
- Create a total column to the right of those columns.

- Copy the numbers from each sheet to the proper column. Make sure that the line item numbers match.
- Total the line item across.
- Total each group down.
- Add the grand total at the very bottom.
- Put the appropriate cross-check calculations to verify that the spreadsheet matches its source spreadsheets.

What are some of the differences in what an accounting department may prefer to see in a budget versus your manager?

- There are some differences in what an accounting department may prefer to see in a budget versus your manager. It's important to ask the accounting department for examples of what budgetary assumptions they will need to see. Budgetary assumptions pages may only identify things that are out of the ordinary. This may include missing information or unusual methods. Your manager may request different information, such as where your numbers came from and what the money's intended use is. It's crucial to ensure that the notes are clear to the audience and that justifications and explanations make sense also.

What are the benefits of good formatting in budget request presentations?

- Good formatting in budget request presentations is beneficial for a few reasons. First, it helps with the clarity of the presentation and ensures that it is easy to understand. It should help them see the numbers that matter the most and know what those numbers represent. The format and layout should be very straightforward and easy to read at a glance.

What are some things to do when setting up budget formats?

- Using predefined spreadsheet budget formats may help with simplifying the process and they save time. Following the company's standard gives all departments a universal way of doing and viewing things. If you create template files, you can save each template file and copy it to create new budgets. Setting up spreadsheets with the properly formatted columns, formulas, links, and totals allows you to use them over and over again. Using comments helps explain complicated formulas that make sense to the audience. You can also avoid bold formatting to help with better quality photocopying. Setting up budget formats properly helps you and your audience understand the numbers and the significance of those numbers.

Describe the three questions to ask when preparing a budget presentation.

- The three questions to ask when preparing a budget presentation:
- Who is attending the presentation? (Who is my audience?)
- Why do they want to see the budget, talk to me, and what are they concerned about?
- What are the intended results of the meeting?

What are some of the questions to consider when presenting your budget to managers?

- Some questions to consider when presenting your budget to managers are:
- What adds value to the business?
- Who makes the final decision? How can you get access to this person? What are their biggest concerns about the company?
- What issues matter the most to the business? How will the presentation of your work plan and budget address those issues?
- Is the company's decision-making process well-defined?
- Are their criteria for budgetary decisions rational or reasonable, or are they based on politics and biased thinking?
- How can you open dialogue, listen to their needs, and then get a chance to respond to them effectively?

What are some things you can do to improve your estimation skills?

- Some things you can do to improve your estimation skills include:
- Don't use actual or the same numbers by thinking of changes from last year.
- Find where your estimates were off and why they were off. Check your notes for clues.
 - Calculation errors can be fixed and refined.
 - Predictions can possibly be fixed by modifying your method of analysis.
 - Get information earlier that you may have missed last year.
 - The unexpected sometimes happens and that's okay. It's just important to be prepared for unforeseen circumstances.
- Review your choice of line items, create new ones, or split/ combine existing items.

What are some considerations for timing your budget preparation?

- Some conditions for timing your budget preparation is:
- Working a year ahead by preparing templates for future periods for next year's budget.
- Add columns for the next year that include the line items, year estimation, year actual, and then the next year's actual.

Describe the advantages of the 15-month budget.

- The advantages of a 15-month budget include:
- Getting the first quarter done by planning the year's budget ahead of time.
- It can be useful for seasonal businesses.
- Plan every quarter, instead of doing it only once a year. This helps improve planning and estimating.
- Effective budgets are made twice: Once, 15 months ahead, and then again when the year's budget is planned and approved. This provides a more accurate budget.
- It gives you more opportunities to consider how work is going when doing your work plans and estimates.

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Describe what is a "body shop."

- A body shop is a contractor that uses people (bodies) to perform work and the company that hires it manages the workers. We end up using three expense categories for body shops: payroll, general expenses, and consulting (body shop) services. It is often a vendor, contractor, or service provider that provides workers for a company and pays their wages. This creates less work and resources allocated for payroll.

Describe the differences between human resource management and human resource services.

- Human resource management defines organizational culture, hiring and choosing applicants, determining raises and bonuses, and deciding whether to use staff, hourly wages, or a body shop. Human resource services involve paying and calculating annual salary increases, routine payroll, and payroll taxes. It also involves managing, hiring, posting

jobs, scheduling interviews, and testing employees. Managing retention and developing policies helps the company's values align with the company culture and save money on hiring expenses. Doing reviews, exit interviews, and termination are other crucial parts of human resource services. The main difference is that human resource management focuses on short-term decisions, while human resource services are utilized to promote the long-term goals of the company.

Describe the four important points to consider in salary planning.

- There are 4 important points to consider in salary planning:
- **Do not overpay employees** because underperforming employees that are overpaid are wasting important resources that could be used elsewhere to promote growth and productivity. There's also little incentive to offer them if they're already being paid well.
- **Do not underpay employees** because underpaid employees will not stay long and they are not as productive as they could be if they were paid well. Poor skills and low self-esteem can stem from low pay.
- **Use incentives effectively** by offering a lower base pay and then offering a fair incentive program that incentivizes employees to see the value in the work they do.
- **Be fair** by offering employees similar pay with minor differences. Pay accordingly, but make sure that lower performers actually feel encouraged to work harder for better pay.

Describe the other general categories of a basic salary that may be added.

- The other general categories of salary that may be added are:
- **Pre-Tax Withholding:** Retirement plans and some health insurance require pre-tax withholding.
- **After-tax withholding:** Union dues and charitable donations are examples of additional amounts that may go to special accounts.
- **Additional taxes:** State and local taxes, unemployment insurance, and dependent taxes are additional taxes that may apply.
- **Bonuses, commissions, variable hours, and overtime** change the gross pay of an employee's paycheck, and the tax rates may vary from regular withholding amounts.

Describe three things that could lead to major variances in salary and human resource costs.

- Three things that could lead to major variances in salary and human resource costs are:
- **Unfilled positions:** vacant jobs for periods of time give us less money than budgeted for payroll expenses.

- **New higher are higher or lower costs:** Sometimes you may end up paying a new hire more than anticipated and sometimes payroll expenses will be lower due to a lower cost.
- **Changes in benefits and benefit packages:** Medical plan changes are a common issue in benefit changes that may affect a human resource budget.

What is splitting? Please provide an example of splitting.

- Splitting is a terrific way to keep a good budget because it helps you track expenses according to their purpose rather than just by items bought. This is because it involves allocating money from more than one line item to one purchase. An example would be using \$600 for postage meter supplies. You would not call this a general office expense. Instead, you would estimate the price of each individual supply, such as \$250 for marketing, \$200 for shipping, and \$150 for general office mail. The check to the post office would be for \$600 and you would create a split record in the accounting program, allocating the money from three expense categories to only pay one. It would reflect a debit of \$600, and then the expenses would be listed individually based on the amount you allocated for each one. The debit and credits should be equal.

Describe the purchasing process.

- The purchasing process is when we track our transactions by moving money from one account to another. We do this by:
- **Deciding to buy** - Creating purchase orders and allocating expenses. This sometimes includes a contract with a vendor and the money in the accounting system is allocated from the bank account to accounts payable.
- **Receiving the item** – We either pick up the item or receiving a shipment or delivery. It's important to make sure the shipment is correct and that the items are in good condition. The packing list is then marked received.
- **Approving the payment** – The invoice and packing list are completed and checked and each accounting code for those line items are marked.
- **Making the payment** – You cut the check (prepare it) and send it to the vendor. Money is then moved from accounts payable to the appropriate expense category, or categories. If you used a credit card, you would need to transfer expense funds to pay the credit card balance. Payment would be made to the credit card company rather than the vendor if you choose to do it that way.
- **Why are businesses better off using accrual account?**
- Businesses are better off using accrual account because managers have the potential to overspend their budgets before they actually know they've committed to spending the money. Several people are allowed to charge expenses to that account. Financial transactions are tracked when commitments are made. Income and expenses are accounted for accordingly.

Describe balancing accounts versus reconciling accounts.

- Balancing accounts to ensure that every transaction is recorded in two accounts , such as when it is debited (or taken out) and when it is credited (money is put in). An unbalanced account means we don't know where the money is and have lost track of our funds. Reconciling accounts is transferring money outside of the company through checking accounts, credit card statements, accounts payable, and accounts receivable. Our internal records should match the bank or credit card statements. The difference is that reconciliation is more detailed and tells us where our money is actually being spent. It helps us identify discrepancies and track spending better.

What are some follow-up work that require attention when closing accounts?

- Some follow-up work that requires attention when closing accounts includes:
- **Billing** – Make sure clients have been billed for all completed work.
- **Collections** – Examine accounts receivable aging summary and see which clients are past due. We then attempt to collect unpaid bills. Accounts receivable often does this.
- **Renewing petty cash and transfer money** – Add money to petty cash to have enough for the next month by moving money from savings or borrowing money from a line of credit.

What is the importance of comparing estimated versus actual spending?

- It's important to compare estimated versus actual spending because it helps us identify discrepancies and find areas of improvement. Overspending often means your budget was not accurate when it was created. Comparing the two helps us identify problem areas and find a remedy to prevent further overspending.

What can be learned about the conditions of the organization from looking at financial statements?

- The conditions of an organization can be evaluated by looking at the financial statements. This is because we learn about the fiscal health and operational successes of the organization, as well as the problems we need to address to help us be profitable. It can help us get new work, finish work, and know that we can order the materials we need to continue operating. Other ways it helps is by resolving vendor problems and customer account problems. If we look at financial statements, we can address any issues that may be affecting our growth and success.

Describe the four basic points for justifying a budget.

- The four basic points for justifying a budget are:
 - The value will always exceed the cost because the benefit of spending the money and doing the work is always greater than the cost of the budget.
 - The workplan does the work that the project and department is expected to do and it fits within the company's long-term plans.
 - You've made a good effort to reduce costs by spending as little as possible on high quality materials that get the job done.
 - You know what you're doing in running the department, project, and preparing the budget.
-
- **Describe the potential choices you have for if your budget has been adjusted.**
 - There are potential choices you have for if your budget has been adjusted. They include changing the work plan or project to fit in with the adjustments, looking at alternative sources of money, and you can also request a meeting for reconsideration.

Describe Blackout period and Closing the books and how it can influence your spending.

- Blackout period is a period of time set by the accounting department or senior executives when you may not make purchases or spend money for the department. Closing the books is the work completed by the accounting department to reconcile and double-check all accounts to prepare financial statements. This is usually done every month, each quarter, and at the end of each year. They influence your spending because you need to purchase orders on time, communicate with accounting regarding unusual spending, and determine how much money will be needed at the beginning and end of each budget year. It's important to plan ahead and complete purchases in a timely manner.

What are some examples of Block and Line-Item Allocation?

- An example of block allocation are a marketing manager getting a set amount of \$50,000 to allocate wherever it is needed, as long as the total expenses do not exceed the total amount given. An example of line-item allocation is a marketing manager being given \$50,000, but the money has to be allocated to each line item. Each item would have a set amount to spend, and you cannot exceed the given amount for that line-item.

What are some of the issues that can come up when spending money at the beginning of year versus end of year?

- The issues that can come up when spending money at the beginning of year versus end of year are:

- Final budgets can be delayed, and funds may not be available at the beginning of the year.
- Money not used at the end of the year may no longer be available for use and may not carry over into the next year.
- A lot of businesses reduce spending if an entire budget was not used the year before. They assume you did not need that much money and give you less money to allocate.

What are the benefits of using a partner for proofreading?

- There are several benefits of using a partner for proofreading. We have to ere on the side of caution by ensuring that our work is free of errors. Having someone read your work aloud to you helps you see where the errors are and correct them before asking for final approval. Hearing the errors versus seeing them is especially helpful. Spreadsheet programs sometimes miss errors that we would not notice when reviewing our work ourselves. Having someone else verify your work definitely helps. It’s important to proofread your work to look professional and appear credible.
- **What types of errors can occur when using spreadsheet programs?**
- Some errors that can occur when using spreadsheet programs formula errors with addition and other calculations. If we use the wrong word, Excel may not catch that because it does not know what exactly you mean. Extra columns or other formatting issues can make it harder for these programs to catch errors as well.

I used an Excel workbook that includes my calculations used the ROUND formula for the following numbers:

- 950/12, round up to 2 digits
- 40/13, round up to 1 digit
- 33/5, round up to 0 digits

	A	B	C	D	E	F
1	Sierra Sanchez					
2	BUS 3480					
3	Chapter 6					
4	9/4/2025					
5	Cacluations				Rounded	
6	950/12				79.17	
7	40/13				3.1	
8	33/5				7	

What is one way of automatically cross-checking in spreadsheets?

- One way of automatically cross-checking in spreadsheets is by totaling both columns and the rows and seeing if the grand totals match. If the difference is zero, the 2 totals should be the same and we can reasonably believe that each row and column total has the proper formula.

What are three common mistakes in finalizing your budget and preventions?

- Three common mistakes in finalizing your budget and preventions are:
 - Completing a budget but not sending the finalized version of it.
 - Having several spreadsheets and budget documents but not verifying that they match.
 - Allowing 2 people to make changes to the same document at the same time.

What are some ways to verify your budgetary assumptions?

- Some ways to verify your budgetary assumptions are:
 - Having someone read them for clarity and then ask you to revise what they do not understand.
 - Having someone proofread them, as they pay attention to the names of documents and sources.
 - Use a buddy check to make sure they are correctly linked to the right line of the spreadsheet. They can also make sure that the figures match the ones in the spreadsheet.

Describe the three steps in creating a project plan and budget.

- The three steps in creating a project plan and budget are to define the project, create the work plan, and then calculate the cost. We define the project by creating a written plan. We start by defining the purpose of the plan, the initial situation, and the goal. You do this by communicating with customers and your team and filling out the necessary information that you know. A draft is then created, and feedback is provided to ensure the plan meets all criteria that will us reach our goal. After review, the approval is then granted for that budget or that project.

What is a work plan? What are the seven steps to creating a work plan?

- A work plan is the basis for an accurate budget and helps you stay on schedule to ensure that steps are completed in a timely manner. It's also called a work breakdown schedule, and it acts as a to do list for the project. It tells us who is taking what steps and when those steps will be completed by. The seven steps of creating a work plan are:
 - Make an incomplete list of tasks; write what you know.
 - Complete the list through visualization and asking the right questions.

- Group the tasks and make sure that they help you achieve the final result.
- Put the groups in order to ensure they make sense.
- Organize the list into a work breakdown schedule and add pertinent details.
- Check the list and answer key questions.
- Proofread, number, and format the completed list.

What is the benefit of creating a list of tasks and grouping the tasks?

- Creating a list of tasks and grouping the tasks is important because it breaks down a project into smaller steps to make sure that all important tasks are achieved and the end result is as accurate to the business needs as possible. Grouping the tasks tells us what the most important task is and then provides smaller tasks within it to provide us with the steps needed to accomplish or complete that task. Creating a list and grouping the tasks helps us stay on track and be more organized to achieve optimal results.

What is a project schedule or project calendar?

- A project schedule or project calendar is what tells us what our deadlines are to ensure that the ultimate project goal is achieved in a timely manner. It's important to pay attention to these deadlines so that the rest of the project does not put us behind. Each task should be completed by its deadline to prevent us from rushing or missing key details.

Why is it important to build project plan before creating a budget?

- It's important to build a project plan before creating a budget because it tells us what resources we may need to achieve the final result. We should be able to see what is required so that we can allocate resources and money, as necessary. We cannot create our budget without knowing what is required. It is likely that we will go over budget if we do not account for all the necessary costs associated with our projects.

Explain the difference between how income is estimated versus expenses.

- The difference between how income is estimated versus expenses is that income is influenced by customers' decisions, whereas expenses are influenced by the company's decisions. Income is an estimate about how much the company will make based on what others do, whereas expense is an estimate of what the company will do.

What questions should managers ask themselves when thinking about changes outside their control?

- There are a few questions managers should ask themselves when thinking about changes outside of their control. They include reviewing each line item. For example, income items first, then expense items based on the income estimates. It's important to anticipate changes in customers' purchases and changes in the market and our pricing. This helps us create a production plan and plan our budget according to customer needs, as well as our business financial needs. Some questions include, are we selling new products and services? Are we selling to new markets? Will customers buy more this year than they did the previous year? And are there changes in our company's pricing?

What are some considerations that managers should keep in mind when using the percentage increase/decrease approach?

- There are some considerations that managers should keep in mind when using the percentage increase/ decrease approach. If you have to cut a line-item by 10%, you may have to negotiate changes in other line-items as well. Cost of living and marketing indicators are general economic indicators that may need to be considered when estimating costs. For example, inflation may need to be added to certain supplies to have a better idea of what the budget for that line-item should be. The quantity that you usually purchase may have to be adjusted to help stay within your budget. It's important to anticipate any other changes that affect each line-item.

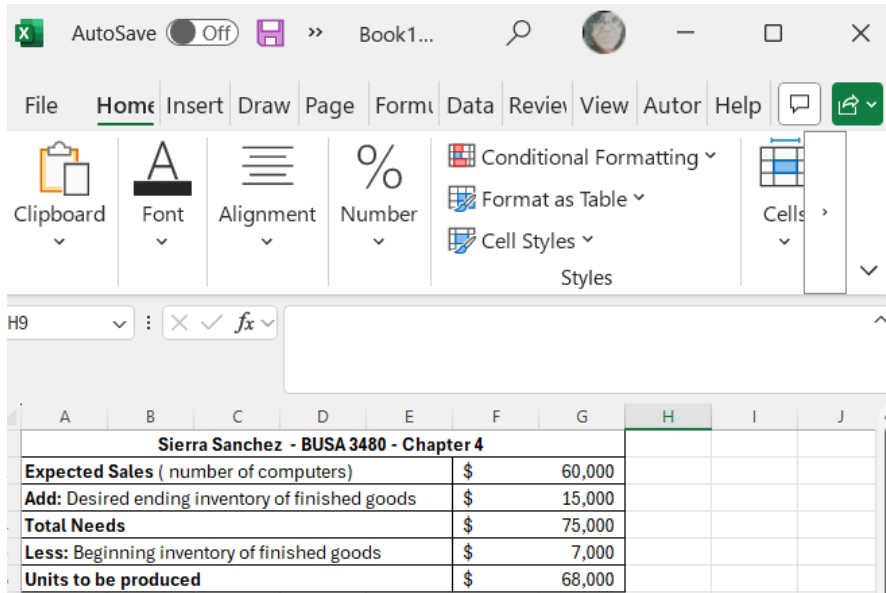
What is an example of how the name of a line item can affect how you report your taxes to the IRS?

- An example of how the name of a line-item can affect how you report your taxes to the IRS would be the IRS requiring companies to put country-club memberships into dues and memberships, because they watch to see if a company is spending too much on executive perks that can be counted as salary.

I created a table in Excel to calculate expected sales equal to 60,000, desired ending inventory of finished goods equal to 15,000, and beginning inventory of finished goods equal to 7,000. I did my calculations for Total Needs and Units to be produced.

Expected sales (number of computers)	50,000
Add: desired ending inventory of finished goods	10,000
Total Needs	60,000
Less: beginning inventory of finished goods	5,000
Units to be produced	55,000

- Figure 4-1. Expected sales and units to be produced



Describe the different types of inventory management.

- There are three types of inventory management. They are first in, first out (FIFO), Last in, first out (LIFO), and just-in-time delivery. FIFO involves using items with a short shelf life by putting the first item in to be sold first. LIFO involves adding items and putting older ones back. Just-in-time delivery involves timing production to match with when it's sold; there are always just enough on hand to keep up with the demand.

Describe the different types of overhead costs.

- The different types of overhead costs are fixed overhead costs and variable overhead costs. Fixed overhead costs are costs that stay the same regardless of the quantity of finished goods produced. Variable overhead costs are costs that vary with the quantity of finished goods produced. Fixed overhead costs may include indirect labor, maintenance, rent, depreciation, and utilities. These costs stay the same and are not dependent on finished goods produced. Variable costs include indirect materials and materials handling.

What is a Trend? How is it useful for creating budgets?

- A trend is a pattern that changes over time. It uses business records from the past to estimate and predict future budget needs. This includes looking at how much was spent and earned, and then evaluating the relationships between budget items.

Explain the three sources of past figures that can be used to create a budget.

- The three sources of past figures that can be used to create a budget are actual numbers from the past, prior estimates, and past tax returns. It's important to see where estimates may have been wrong, so that you can improve this year's budget.

What is converting time periods? Please provide an example of converting time periods.

- Converting time periods is adjusting the budgetary information to find the most accurate figures based on daily, weekly, monthly, and yearly costs. An example would be payroll that's distributed at different times. Some employees are paid weekly, whereas others are paid biweekly. There would be 52 pay periods for the weekly earners, but 26 pay periods for the biweekly earner. We would convert this by taking the \$100 weekly earnings to discover that the weekly earner makes \$433 a month since there are 52 weeks a year, and some months have more than 4 weeks. If it was assumed that the \$100 a week was multiplied by 4 weeks a month versus the 52-week method, there would be a \$400 discrepancy for the year. \$400 a month would equal \$4800; versus \$100 times 52 weeks would equal \$5200. (If that makes sense).

What are some ways to evaluate the quality of your information that goes into your budget?

- There are a few ways to evaluate the quality of your information that goes into your budget. One effective way would be to communicate with accountant or bookkeeper to inquire about possible errors in line items to ensure that your budget for the current year is accurate as possible. It's important to verify accounting codes and line-item categories to avoid extra work. Another effective way would be to contact vendors and banks to request records from the past year.

Explain the three ways managers can use information in a smart way.

- Managers can use information in a smart way by three different methods. They include analyzing relationships and trends from the past to make future estimates that are as accurate as possible. Another way would be to use time period conversions to account for every dollar in the budget. The last way would be to communicate with other departments such as the accounting department and also reach out to vendors and banks to account for every dollar used last year.

What is the difference between a short-term budget and a long-term budget?

- A short-term budget helps with planning and controlling the budget. You plan for the money that is received. Then, you determine how the money will be spent. You control the money by tracking the actual expense results and making informed decisions on how to resolve discrepancies and variances. A long-term budget is only for planning purposes. They are good for forecasting business expenses and then preparing for possible obstacles and possible changes in plan. The main difference is that the short-term budget addresses controlling and planning, while a long-term budget only deals with planning. A short-term budget looks 2 to 3 months or up to 1 year ahead whereas a long-term budget is for the next year, 5 years, or longer.

What is an accounting year? Why would an organization decide to begin its accounting year in a month other than January?

- An accounting year is a one-year period that starts in a particular month for business accounting. This may not always be in January and varies based on business needs.

What is tracking? Why is tracking important?

- Tracking is where you compare actual results versus estimates that were made for the budget initially. It's important to note the differences and take corrective action to ensure that the most optimal decision is made to counteract the difference. Tracking results helps you stay on track and determine whether you need to spend more or less on a specific line item.

What does it mean to bring vision to the budget planning process? Why is this recommended for managers?

- Bringing vision to the budget planning process means determining what the plan is and preparing for it ahead of time. It helps you see the bigger picture and make sure that the results align with the company's values. The mission and vision of the company is a vital part of how the company operates and shows the what and why of the company is. It's important to bring vision to your budget planning process. It's often short and simple and provides positive results because the budget should help the company address the bottom line of the business.

List and describe the different types of costs that an organization may need to account for in a budget.

- There are several different types of costs that an organization may need to account for in a budget. They include:
- **Fixed Annual Costs**- This cost does not vary and is a set amount that is used to determine what the budget may need to be for that line item. Some fixed annual costs are averaged out over extended periods to accurately predict what that specific budget should be.
- **Start-Up Costs** – It is a type of fixed cost that only appears in the first year or so of the budget. They are accounted for at the start of a new business and over time, they are no longer accounted for.
- **Interim Costs** – These are fixed annual costs that occur in the middle of a budget. They happen for a period of time after startup and may disappear over time. They are temporary expenses that will slowly be transitioned out of the budget.
- **Variable Costs** – These costs change from year to year. They vary with the amount of production and may increase or decrease over time.
- **Annual Variable Costs** – These line-item costs vary each year. It's important to budget differently each year based on business needs. Averages may not always be accurate because of changes in your business market or business needs.
- **Project Costs** – Project costs are variable costs that depend on the project, and its cost requirements. A project plan may change based on how long the project will take and what resources are needed for that specific project. All projects are different because they are temporary endeavors that aim to accomplish a certain goal that aligns with business needs.
- **Semi Variable Cost** – Single line item that is calculated with fixed and variable elements.
- **Fixed Base/ Variable Volume Cost** – It has a fixed component and a variable component based on volume.

How can forecasting income be harder than forecasting expenses? Please explain.

- Forecasting income is harder than forecasting expenses. This is because income depends on whether customers are utilizing your business to meet their needs and it can vary based on several factors that may be outside of your control. Forecasting

expenses is easier because we can control the aspects related to productivity, our informed decisions, and we choose what we spend on business expenses.

Explain the difference between cash accounting versus accrual accounting.

- Cash accounting is where you count money as it comes in, whereas accrual accounting is when you track the actions that generate money before it is transferred.

What are some of the questions to consider when presenting your budget to managers?

- Some questions to consider when presenting your budget to managers are:
- What adds value to the business?
- Who makes the final decision? How can you get access to this person? What are their biggest concerns about the company?
- What issues matter the most to the business? How will the presentation of your work plan and budget address those issues?
- Is the company's decision-making process well-defined?
- Are their criteria for budgetary decisions rational or reasonable, or are they based on politics and biased thinking?
- How can you open dialogue, listen to their needs, and then get a chance to respond to them effectively?