



**Spanx and Good Foundations**

**Step by Step Guide to Preparing a Budget**

# more money for shoes

## Step-by-Step Guide to Preparing a Budget

So you've downloaded the Budget template and you are wondering where to start. Here's what to do in order to fill it in and start using it.

1. Update the budget template with the following:
  - Your business details
  - The period you are preparing the budget for
  - Your income sources (e.g. consulting, sales, interest) – descriptions only at this stage, don't worry about the amounts yet
  - Your anticipated expenses (e.g. wages, advertising, rent) – descriptions only at this stage, don't worry about the amounts yet
2. Collect information / data from the previous year (print out a monthly profit and loss from your accounting program if it will allow it) and you can use this as a starting point to complete the budget. If you are a new business you will need to estimate all your costs and income.
3. Add the income you expect to collect during the different periods including:
  - invoiced income
  - interest
  - dividends,
  - grants etc.

Make sure you record the income when you invoice it, not when you expect to receive the money i.e. when you expect to raise the invoice and not when you expect to be paid. Remember to take into account any holidays, office closures or seasonal fluctuations that may affect your income stream. (Note, if you are wanting to measure cash coming in and going out then download the Cash-flow Budget Template under the LBD chapter)

4. Add the expenses you expect to incur during the different periods including:
  - wages
  - stock purchases
  - rent
  - office expenses
  - advertising etc.

Like the income, make sure you record the expense when you expect to receive the invoice and not when you expect to actually make the payment. Also, make sure you take into account regular, irregular and seasonal payments such as rent, repairs and maintenance as required and inventory purchases.

5. Your budgeted profit for the month is calculated at 'net profit before tax'. Review this to see if you are happy with the result and make any necessary tweaks to your income and expenses to ensure it is realistic.