

Budgets & Financial Reports

Key Players

Player	Role
CEO	They use financial data to steer the organization to the strategic vision, mission, and goals of the organization.
CFO	They ensure that the financial data is accurate and create reports. In addition, they analyze the information and help the CEO make decisions.
Senior Leadership	They use financial data to control budgets of several departments and business units.
Accounting	They collect financial data and record them daily in computer systems for compiling at the end of the month.
Department Managers	They use financial data to manage their areas or business units.
Board of Directors	They use financial data to determine how well the organization is doing and hold leaders accountable for meeting budgets and other obligations.
Government Regulators	They use financial data to determine if the company is being managed according to rules.
Stockholders	They use financial data to determine if the company is profitable and being managed well.
Investors	They use financial data to determine if they want to purchase stocks in hopes of a financial return.
Creditors	They use financial data to determine if the company is capable of paying back a new or current loan.

Common Types of Budgets

Sales budget: This budget estimates future sales. This is usually broken down into units and dollars. This budget is used to create company sales goals.

Production budget: This budget estimates the number of units that must be manufactured to meet sales goals. The production budget also estimates the various costs involved with manufacturing those units.

Cash Flow/Cash budget: This budget predicts future cash receipts and expenditures for a particular time. The cash flow budget helps businesses determine when income will be sufficient to cover expenses and when the company will need to get a loan to cover expenses during this time.

Marketing budget: This budget is an estimate of the funds needed for promotion, advertising, and public relations in order for the organization to market their product or service.

Project budget: This budget is a prediction of the costs associated with a particular project. These costs include labor, materials, and other related expenses. The project budget is often broken down into specific tasks called activities, with budgets assigned to each.

Expenditure budget: This budget estimates what expenses the organization will have for a time.

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RADAR:

1. **Research** both the internal and external environments to determine the factors that may affect your budget throughout the budget period.
2. **Acquire** the goals of the organization and every department, determine, and work with the leaders to determine what it will take financially to realize these goals.
3. **Develop** a working budget. At minimum, the working budget should contain the following columns:
 - a. Categories
 - i. Assets, liabilities and capital (balance sheet budget)
 - ii. Income and expenses (income statement budget)
 - b. Actual (current or last year's numbers)
 - c. Projected (budgeted)
4. **Adopt** a final budget for final review, gain the approval by the Board of Directors, and implement.
5. **Report** results and revise the budget as necessary, showing all variances in the appropriate column.

Gathering Related Information

Here are four areas that may be helpful for your budget.

- Analyze the external environment
 - Market trends
 - Economic condition
 - Regulatory issues
 - Competition
- Analyze the internal environment
 - New product developments may increase expenses
 - Strength and weaknesses which is determined by review the financial statements of the organization
- Analyze the staff requirements
 - Can the staff handle the new strategic goals or do you need to hire more people
- Review existing policies
 - Compare the effects of existing policies on the budget. Could there be issues that could alter the budget later.

"The highest use of capital is not to make more money, but to make money do more for the betterment of life."

Henry Ford