

Put a leash on your spending: Build a budget and stick to it



AT A GLANCE

Business spending can quickly get out of hand if you aren't thinking about the future — especially with the excitement of potential expansion and improvements. Make sure you don't start digging a grave of debt and set up a reasonable budget with help from QuickBooks.

To set up a budget for our company, we'll:

- Outline the two kinds of budgets you can create and when you should use each budget type.
- Walk through QuickBooks' Create New Budget wizard to get us started with a Profit and Loss budget.
- Modify our Profit and Loss budget without a lot of fuss.
- Run a report to see how well we're sticking to our budget.

You're probably full of ideas for growing your business and increasing your profits. However, you may let that thrill overcome your practical side, which tells you that there aren't limited funds to throw into your future. You should take risks — but they should be calculated risks. If you have a budget for the next fiscal year, you can be sure that you aren't overstepping your financial limits.

Choose the right budget(s)

There are two kinds of budgets you can create in QuickBooks: a Profit and Loss budget and a Balance Sheet budget. The difference between these budgets is similar to the difference between a Profit & Loss report and a Balance Sheet report. Essentially, the Profit and Loss budget shows you the budget throughout the year, month by month.

The Balance Sheet budget shows only the ending balance. We'll demonstrate the Profit and Loss budget since it's more commonly used.

Plan the budgets you need

You can specify particular criteria for your budgets, including years, customers or jobs — even classes. QuickBooks allows budgets for any combination of these criteria. So, for instance, if you want a budget for the San Tomas Store class' expense accounts in addition to a budget for the Bayshore Store class' Checking account, you can create both of them.

You also need to think about what data you want to base the budget on. You have three choices:

- Manual data that you enter yourself
- The previous fiscal year's actual data

- The previous fiscal year's budget data

Set up your P & L budget

Once you've thought about what you want to get out of your budget, it's time to create it. For our example, we'll set up a Profit and Loss budget for the year 2008 that includes only the Bayshore Store class.

To set up a budget with the Create New Budget wizard:

1. Launch QuickBooks and open your company file. Or, you can open the Ginger's Gift Shop sample company file to follow along with our example.
2. Choose Company | Planning & Budgeting | Set Up Budgets from the menu bar to launch the Create New Budget Wizard.



The on-going challenge of increasing productivity and decreasing inefficiencies can be overwhelming — often leaving business owners wondering where to begin. By Design Solutions helps you put together the pieces of the complex puzzle of accounting and business management systems. We not only help you evaluate and **S**elect the right version of QuickBooks, but help you **I**mplement it, **M**aximize its use, **P**erform tasks more efficiently, **L**earn through hands on training, and then **E**nlist our help when you need support! It's just that **SIMPLE!** View our website for more information at www.ByDesignSolutions.com

Important note: If you've already created a budget in your company file, it displays instead of the Create New Budget Wizard. However, you can access the wizard if you click the Create New Budget button on the Set Up Budgets screen.

3. Use the spin box to enter the year you want to budget for — in our case, 2008.
4. Select the Profit And Loss option button to create a Profit And Loss budget as opposed to a Balance Sheet budget, as shown in **Figure 1**.
5. Click Next and select the Class option button since we want to include only the Bayshore Store class in our budget; click Next.
6. Select the Create Budget From Previous Year's Actual Data option button.

Alternative: If you want to set new budget values instead of keeping in line with the previous year's account balances, you'd need to select the Create Budget From Scratch option button. This lets you enter manual budget values.

7. Click Finish to open the results — the Set Up Budget screen, as shown in **Figure 2**.

If there's no actual data from the month's previous year, QuickBooks leaves it blank. You can see in **Figure 2** that there's a lot of missing data for this

reason. It might have been wiser in this situation to create a budget from scratch since the company doesn't have a full year of data on which to base the budget.

However, if you try to create a new budget with the same criteria — Profit and Loss budget for the 2008 fiscal year by class — QuickBooks informs you that the budget already exists. It doesn't give you an option to recreate it from scratch. This is because there's an easier way. You can fill in any blank columns right within the Set Up Budgets window. Simply click in a field you want to change and type a new value.

Expert tip: If you want to fill in the same value for a row across the entire 12 months, you can quickly do so. Just enter the number in the first month's column and then click the Copy Across button. The same value appears in all of that row's columns. Just be careful if there's existing data in the row — using the Copy Across button will replace it.

Edit your current budget

Once you have a budget in the Set Up Budgets screen, you can change the criteria. For instance, if you want to see a budget for the same fiscal year but you want to display the San Tomas Store class instead, simply select San Tomas from the Current Class dropdown list. The monthly budget values change to reflect the new class.

Change an entire year's budget values at once

If you want to increase or decrease the year's budget values for an account by a certain percentage, you can do so without manual calculations. We'll fill in the missing months (January through September) for the Merchandise account with \$15,000 and then increase the entire year's worth of budget values by 10 percent.

Account	Annual Total	Jan08	Feb08	Mar08	Apr08	May08	Jun08	Jul08	Aug08	Sep08	Oct08	Nov08	Dec08
Consignment Sales													
Discounts Given											9,283...	5,594...	21,000...
Merchandise	35,904.40												
Service	11,548.44										5,500...	458.54	5,500...
Shipping and Handling													
Cash Discrepancies													
Overages	14.98										5.35	1.21	8.42
Shortages													
Cost of Goods Sold	1,595.95												1,500...
Purchase Discounts	-79.65										-54.00	-25.65	
Purchases	-1,817.88										2,104...	1,662...	-5,000...
Advertising													
Automobile Expense													
Bad Debt Expense													
Bank Service Charges	21.87												21.87

2: The criteria you set for the budget display in the Budget dropdown list.



1: You can create a budget for any upcoming fiscal year.

Account	Annual Total	Jan08	Feb08	Mar08	Apr08	May08	Jun08	Jul08	Aug08	Sep08	Oct08	Nov08	Dec08
Consignment Sales													
Discounts Given											9,283...	5,594...	21,000...
Merchandise	170,904.40	15,000...	15,000...	15,000...	15,000...	15,000...	15,000...	15,000...	15,000...	15,000...	9,283...	5,594...	21,000...
Service	11,548.44										5,500...	458.54	5,500...
Shipping and Handling													
Cash Discrepancies													
Overages	14.98										5.35	1.21	8.42
Shortages													
Cost of Goods Sold	1,595.95												1,500...
Purchase Discounts	-79.65										-54.00	-25.65	
Purchases	-1,817.88										2,104...	1,662...	-5,000...
Advertising													
Automobile Expense													
Bad Debt Expense													
Bank Service Charges	21.87												21.87

3: You can fill in any missing months with budget values for that row's account.

To modify an account's budget values by a percentage:

1. Ensure that there are values for each month of the Merchandise account's row. We filled in missing months with \$15,000, as shown in **Figure 3**.
2. Click the Adjust Row Amounts button to display the Adjust Row Amounts window.
3. Select 1st Month from the Start At dropdown list.

Additional option: If you want to change the budget values beginning at a different month, just select the month in your Set Up Budgets window and then click the Adjust Row Amounts button and choose Currently Selected Month from the Start From dropdown list.

4. Select the Increase Each Monthly Amount In This Row By This Dollar Amount Or Percentage option button, since we want to increase our budget values.
5. Enter 10% in the accompanying text box, as shown in **Figure 4**.
6. Click OK to adjust each month's amount in the Merchandise account's row.

Wipe the slate clean: If you decide to start your budget from scratch after trying to work with QuickBooks' generated budget, you can clear the entire Set Up Budgets window. Just click the Clear button and then click the Yes button to confirm that you want to clear the entire budget page. Or, if you want to delete the budget altogether, press [Ctrl]D and then click Yes to confirm the deletion.

Save your budget's changes

Once you get your budget just the way you want it, make sure you save those changes. Otherwise, you may lose your work. When you're ready to save, just click the Save button in the Set Up Budgets window.

Report on your budget's success

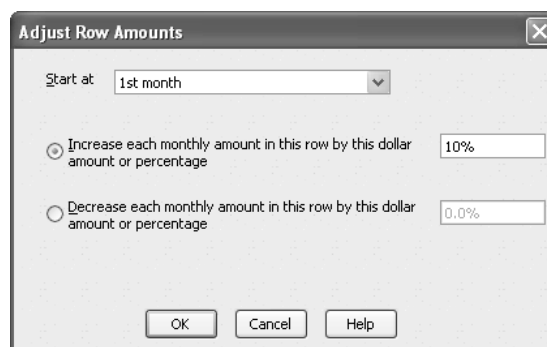
There are a few helpful reports that you can run once you set up a budget. That way, you can compare your budget amounts with your actual expenses and income and see how well you're sticking to the budget. We'll look at the Carl's Computer Shop sample company file to report on your budget vs. your actual income and expenses.

To view a report on your budget's performance:

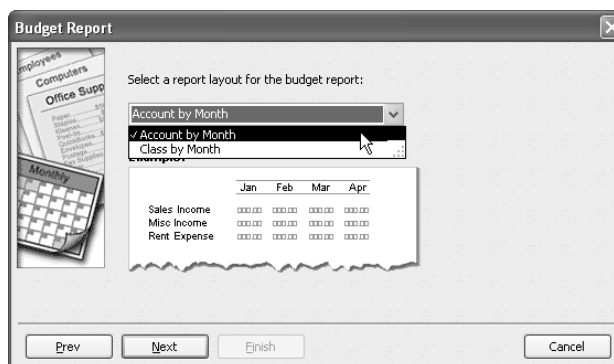
1. Choose Reports | Budgets & Forecasts | Budget vs. Actual from

the menu bar to display the Budget Report window.

2. Select the budget you want to view from the dropdown list. We'll select FY2007 – Profit & Loss By Account And Class and click Next.
3. Choose Account By Month from the Select A Report Layout For The Budget Report dropdown list, as shown in **Figure 5**. There may be other layout options depending on your budget's criteria.



4: QuickBooks can increase or decrease your account's budget values by a percentage — or a flat dollar amount.



5: You can see how the different layouts affect the report with the window's layout preview.

Hot tip: If you're unsure of how a layout options will look, try selecting one. A preview displays right in the window.

4. Click Next and then click Finish to generate the report.

The resulting report lists each of your income and expense accounts, as shown in **Figure 6**. Then, it repeats four columns for each month of the year: the actual account balance, the budgeted account balance, the dollar amount over

the budget (or under if the amount is negative), and what percentage of the budget your actual balance currently meets. This is a quick way to see how close you are to exceeding your monthly budget.

	Jan 07	Budget	\$ Over Budget	% of Budget	Feb 07
Ordinary Income/Expense					
Income					
Sales					
Assembled Systems	29,110.00	18,000.00	11,110.00	161.7%	2,895.00
Consignment Sales	0.00	500.00	-500.00	0.0%	0.00
Discounts Given	0.00	200.00	-200.00	0.0%	0.00
Merchandise	1,951.00	3,215.00	-1,264.00	60.7%	16,379.98
Service	6,961.00	8,000.00	-1,039.00	87%	7,763.00
Shipping and Handling	0.00	100.00	-100.00	0.0%	0.00
Sales - Other	0.00				0.00
Total Sales	38,022.00	30,015.00	8,007.00	126.7%	27,037.98
Total Income	38,022.00	30,015.00	8,007.00	126.7%	27,037.98
Cost of Goods Sold					
Cost of Goods Sold	17,439.85	15,000.00	2,439.85	116.3%	11,556.49
Purchase Discounts	0.00	100.00	-100.00	0.0%	0.00
Purchases	0.00	200.00	-200.00	0.0%	0.00
Total COGS	17,439.85	15,300.00	2,139.85	114%	11,556.49
Gross Profit	20,582.15	14,715.00	5,867.15	139.9%	15,481.49

6: The Budget vs. Actual report shows you how closely each account comes to meeting or exceeding its monthly budget.



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