

BUDGETING CHECKLIST



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GENERAL

- Define purpose and objectives of the budgeting process
- Organize collection relevant financial information from sources
- Determine budget timeframe budget (dates, annual /quarterly budget)
- Determine team for budgeding, responsibilities, milestones, deadlines
- Make sure the budgeting is aling with strategy, long-term objectives, priorities
- Define tools for preparation the budget and coloboration proces and tool access
- Organize set of meetings among different department discussing budgeting targets
- Identify the key drivers of costs and revenue in the organization
- Evaluate potential risks that could impact the organization's financial performance

SALES

- Review historical records on sold quantities, per products, customers, lines
- Review historical prices, per products/ services and factors impacting prices
- Review historical records on quantity, financials and other discounts
- Analyse customer contraccts, retention rate and customer churn
- Organize a meeting with sales manager and his/her team, discuss sales plans
- Review sales and marketing plans and find anomalies and risks
- Utilize industry reports, market research, and external data sources
- Make sure budgeted revenues, discounts etc.. are aligned with GAAP
- Analyze sales data to identify patterns, peak seasons etc..

VARIABLE COSTS / COGS

- Review historical records on purchased quantities, per products, suppliers
- Review movement in prushase prices prices, per products, categories etc..
- Understand factors that will impact pricing, inflation effects, financial discounts
- Analyze cost of raw material and COGS, bill of material structure etc.
- Analyze historical records and % of scrap, shortages etc..
- Make sure budgeted revenues, discounts etc.. are aligned with GAAP
- If revenue are budgeted already, make calculation of gross profit rates
- Analyze purchases to identify patterns, peak seasons etc..
- Analyze contract with suppliers, and confirm how some terms impact costs
- Review discounts given by suppliers and make assumption what is expected

FIXED COSTS

- List all types off fixed costs and review agreeemtns with suppliers
- Make sure you identified recurring costs and predict them in budget
- Gather historical data to analyze the patterns and trends of fixed costs
- Review existing contracts that have fixed cost components
- Consider the potential impact of price changes or inflation on fixed costs
- Validate ratio nubmers in budgeted fixed cost eg. % in total costs
- Consider one-time or irregular fixed costs

HEADCOUNT AND PAYROLL

- Review historical headcount records, new comers, fluctuation etc.
- Organize a meeting with department heads discussing workforce demand
- Full feedbacks and assumpitons received by HR department
- Determine level of workforce needed to meet budget fullfilment
- Make sure that level of workforce is aligned with company objectives
- Gather information about salaries industry benchmanrks – for all positions
- Make sure a gap btw salaries growth and sales growth is reasonable
- Based on new comers expected, examine racruitment and other costs
- Consider one-time costs, bounus accruals, prizes, stimulations, overtime pay
- Make ratio check: Salary share in costs, share in revenues etc.

OTHER OPEX

- List all expenses that are not approached as variable or fixed costs
- Examine company's historical financial records of these categories
- Determine budget goals for each OPEX category
- Collect detailed expense information from various departments
- Professional fees aligned with planned transactions
- Consider factors like market conditions, inflation, industry benchmarks
- Take into account any seasonal fluctuations or trends

TAXES & CUSTOMS

- Determine corporate tax rate that will be applied. Actual vs effective
- Organize meetings with tax department to discuss planned taxes
- Examine all advanced tax payments in include that in cash flow
- When projecting receivables & payables, is the VAT counted
- Apply announced changes in tax law if impact the budget
- Consider changes in custom rates and duties impacting costs
- Take all tax incentives into account such as R&D incentives

CAPEX AND FIXED ASSETS

- Make sure you obtain relevant fixed asset database (PPE,
- Based on remaining useful life accumulated depreciation and NPV projected
- Based on depreciation rates, calculate depreciation of the budget period
- New investment discussed with CEO/CFO, value, useful life etc..
- Based new investment budget purchase value, (accumulated) depreciation
- Based on lease agreements make sure you reliable budgeted rights of use
- Check potential changes in lease agreements and how it reflects in budget

LOANS AND INTEREST COST

- Make sure current loan schedules properly reflected in budget
- Organize meeting with CFO/CEO discussing new loans for investment
- If new loan planned, make the assumptions and schedules in payment
- Based on loan schedules make sure you accurately budgeted interest
- Interest expenses should be allocated in appropriate buget period
- Based on lease agreements make sure you projected liabilites and interest

CASH FLOWS

- Select most appropriate cash flow method : direct vs. indirect
- Budget cash flow of operating activities
- Budget cash flow of investment activities
- Budget cash flow of finance activities
- Reconcile cash position in cash flow with balance sheet budget

NET WORKING CAPITAL

- Calculate DSO based on historical records and expected payment terms
- Make Account Receivable budget based on DSO and Revenues budget
- Calculate DIO based on historical records and expected pruchase plans
- Make Inventory balance budget based on DIO and COGS/COPS
- Calculate DPO based on historical data, expected pruchases and costs
- Make DPO estimate for suppliers for goods vs.supplier for services
- Check if your projected balance of AP, AR and Inv are in line with goals
- Caluclate final NWC and check its share in revenues

FINAL CHECK AND RECON

- Based on all revenues and costs make P&L/Income statement budget
- Based on budgeted CAPEX, NWC and Loans, make Balance sheet budget
- Make sure that net profit budgeted is equal as current year earing is in BS
- Make sure Cash flow position alinged with BS and IS position whre applicable
- Check if your budgeted gross and net profit rates are in line with goals
- Prepare full ratio analysis and check anomalies if any
- Following the process of budget stages and approval