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# Accounting Basics: Budgeting

Creating annual budget plans is the most basic step any business owner should take.

A budget plan is a road map of what is envisioned for the business over the coming year. It can then be used to measure against actual performance.

**What** - A budget plan should include all known and anticipated financial details, such as:

- Projected sales revenues
- Sales costs
- Profitability
- Expenses
- Income
- Taxes to be collected (goods and services taxes, income taxes, payroll taxes - all of which will need to be set aside during the year).

**Who** - Created by a business owner or manager, a budget plan is critical for executives, board members and program managers, who use the information to assess how the company is doing and make strategic decisions.

**When** - Should be created annually, with detailed bookkeeping (tracking of all financial transactions) done monthly.

**How** - Can be based on performance from previous years, analysis from industry experts and research about the industry. Any relevant information should be considered in creating a realistic plan.

**Why** - You want to know how your company is performing.

These indicators impact on business decisions - such as how much money to use to pay lenders, buy new assets (equipment, vehicles, software) and/or to invest in expansion or research and development.



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