**What is budgeting?**

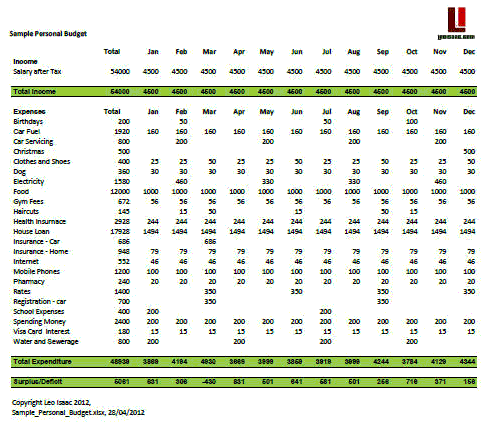
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A budget is a financial plan. It is a projection (forecast) of what will happen financially if certain strategies and decisions are implemented. This is something we all do from time to time.

For example, if you plan to buy a new car with a bank loan, you will want to know how much the loan repayment installments will be. This helps you to construct a financial plan which includes determining the extent of the loan that you can afford. This type of planning is very much a budgeting activity.

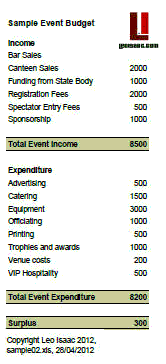
Click on the picture below to download a sample personal budget in PDF format (aso provided in Excel format) that shows a person's income and expenditure on a monthly basis. Constructing a a personal budget in this manner enables a person to calculate their probable surplus or deficit at the end of each month. Such a task would be very useful to the individual before committing to repayments of a bank loan for a car.

[](http://www.leoisaac.com/budget/Sample_Personal_Budget.pdf)

[download in PDF](http://www.leoisaac.com/budget/Sample_Personal_Budget.pdf) or [download Excel file](http://www.leoisaac.com/budget/Sample_Personal_Budget.xlsx)

In another example, the committee of a sport club would need to know whether there is any likelihood of making a profit if the club hosts a particular event. This question can only be answered by working out possible revenues (income) and expenditures. The committee would need to investigate what the event needs, talk to people who have experience, obtain quotes from suppliers and estimate how many people might attend. All these activities such as investigating, consulting, obtaining quotes and estimating are all typical budgeting activities.

Click on the picture below to download a simple event budget in PDF format (also provided in Excel format).

[](http://www.leoisaac.com/budget/sample_event_budget.pdf)

[download in PDF](http://www.leoisaac.com/budget/sample_event_budget.pdf) or [download Excel file](http://www.leoisaac.com/budget/sample02.xls)

Budgets are more than just a few calculations that we throw away when our questions are answered. In a business context, a budget, once constructed, becomes an essential tool for the financial management of the business. In fact operating a business without a budget is very bad management.

By developing budgets, business managers set income and expenditure targets to be achieved. The business manager can constantly compare actual financial outcomes with targets in the budget and take corrective action if the targets in the budget are not being met.

Business managers need to continually review the budget and use it as a guide when making financial decisions. If a proposed course of action has been anticipated in the budget, then managers will feel confident in making a decision to go ahead. But if a proposed course of action has not been costed in the budget, then managers will appreciate that going ahead will entail financial risk.

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