**Using a spreadsheet for budgeting**

**Benefits of Spreadsheets**

Spreadsheets, such as Microsoft Excel, are an invaluable tool for the preparation of budgets. In the hands of the experienced operator they allow:

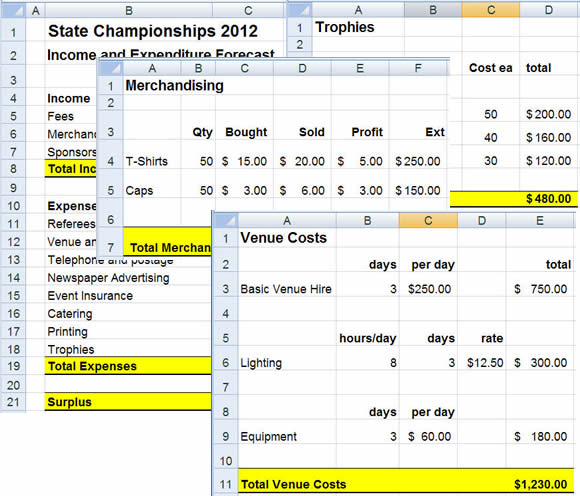
1. Information to be inserted, laid out, formatted and arranged for maximum readability with relative ease.
2. Easy computation of budgetary estimates i.e. calculation of income and expenditure items
3. Quick and easy modification of figures with instantaneous results
4. Transmission of budget workings between work colleagues or members of the organisation management committee
5. Long term storage of workings to enable others in future years to follow how budgets were calculated
6. Mathematical modeling of financial problems to find best solutions

In short, if you are engaged in budgeting, it is essential to use spreadsheet software and Microsoft Excel is the best known.

**Using multiple worksheets**

An excellent feature of the very popular spreadsheet software. Microsoft Excel, is that it allows the user to create a separate worksheet for each element of the budget. [See an example budget with multiple worksheets](http://www.leoisaac.com/evt/fin208.xls).

This is really essential for anything more than the very simplest of budgets.

[](http://www.leoisaac.com/evt/fin208.xls)

By creating a separate sheet for each item in the budget it becomes comparatively easy to deal with formatting. Thus each sheet can be published as if it were a page in the book, nicely formatted and easy to read.

**Importance of Summary Worksheet**

In the sample spreadsheet provided, the "Summary" worksheet is where all the final figures from each of the other worksheets are collected to make a complete income and expenditure statement.

**Linking Worksheets**

An outstanding feature of Excel spreadsheets is that the summary sheet can be linked to all the other worksheets in the budget. Therefore any changes to the worksheets is automatically reflected on the summary sheet. This not only saves time but also reduces the likelihood of error.

Linking figures on the summary sheet to all the respective worksheets is a simple process. On the summary sheet in the cell where the total of salaries is to appear, type an equal sign i.e. type "=". Then, point with your mouse to worksheet containing the answer and the cell where the answer can be found. Then hit the ENTER key. This creates a link.

**Avoid embedding figures**

When constructing any spreadsheet the golden rule is not to **EMBED** any figures in the formulae. If you do - this will lead to errors.

Here's an example of a worksheet that calculates the Salaries Budget.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | A | B | C | D | E | F | G |
| **1** | **Job Titles** | **Weeks** | **Hrs/wk** | **Rate/hr** | **Salary** | **Super** | **Total** |
| 2 |  |  |  |  |  | 9% |  |
| 3 |  |  |  |  |  |  |  |
| 4 | [Executive Director](http://www.leoisaac.com/hrm/top031.htm) |  |  |  | 35,000.00 | 3,150.00 | 38,150.00 |
| 5 | Activities Manager |  |  |  | 30,000.00 | 2,700.00 | 32,700.00 |
| 6 | Admin Assistant | 52 | 20 | $13.00 | 13,520.00 | 1,216.80 | 14,736.80 |
| 7 | Activities Assistant | 52 | 38 | $15.00 | 29,640.00 | 2,667.60 | 14,736.80 |
| 8 | **Total** |  |  |  | **108,160.00** | **9,734.40** | **117,894.40** |

In the above illustration of a worksheet for salaries, the basic information stored includes job titles and rates of pay. Based upon this information, the spreadsheet calculates the Super (superannuation), the annual cost of employment for each employee and the total cost of all employees.

The figure in cell E6 (annual salary for the Admin Assistant) of $13,520 is calculated by formula.

This formula could be created in one of two ways, one right, one wrong.

**Bad formula method**: =52 x 20 x 13.00 (using embedded figures)

**Correct example formula**: = B6 x C6 x D6 (using cell references in stead of figures)

(Note: all formulas begin with an = (equals sign))

So the correct thing to do is to use cell references in the formula rather than the actual numbers. If you use cell references then anytime the raw data is changed, the spreadsheet instantaneously provides the correct answer.

**Using speadsheets saves time**

Although there is some initial learning, spreadsheet users can prepare a budget workbook much more quickly than can be produced by working with pencil and paper alone. The amount of technical know-how needed to created a simple spreadsheet is not that much.