

Budgeting & Forecasting for Business — Workbook

This workbook turns the course into a working planning system for your own business. Move through it in order: write your assumptions memo, build a driver-based annual budget, run a monthly budget-versus-actual review with proper variance decomposition, and keep a rolling 12-month forecast and a 13-week cash projection always up to date. The templates give you a ready-to-edit budget builder, a variance and flexible-budget calculator, and a 13-week cash-flow sheet so you can stop guessing and start managing.

What a Budget Is For and How the Pieces Fit

Fix your vocabulary, anchor the budget to cash as well as profit, and write the assumptions memo before any spreadsheet exists.

Worksheet: Write Your Assumptions Memo

Fill this in before you build a single budget line. Every number in your budget must trace back to one of these stated assumptions. Be specific and quantified, not directional.

Fiscal year and start date being budgeted

Revenue growth driver targets (new customers/month, churn %, average order value, conversion %)

Planned price changes and any discounting (effective date and %)

New hires: role, start month, and fully loaded annual cost

Known one-time items (office move, rebrand, large equipment purchase) with dollar amount

Capital and financing events (loan draws, repayments, owner contributions) with timing

Top three input-cost inflation assumptions (e.g., materials +6%, wages +4%)

Exercise: Separate Budget, Forecast, Target, and Plan

Take one major goal for the coming year and express it four ways, keeping each number distinct. This forces you to stop using the words interchangeably.

- What is the operational plan (the concrete actions, e.g., open a second location in April)?
- What is the locked budget number that plan implies, in dollars?
- What is your current honest forecast for that line given what you know today?
- What is the stretch target you will communicate to the team, and why is it different from the budget?

Exercise: Profit-to-Cash Reconciliation Drill

Using a recent month from your own books, walk a budgeted profit number down to cash so you internalize that the two are different. If you have no business yet, use the course example (\$50,000 profit, +\$35,000 receivables, \$20,000 equipment, \$4,000 depreciation).

- What was net income (or budgeted net income) for the month?

- How much did accounts receivable grow, and how much cash does that tie up?

- What cash went to equipment, loan principal, or owner draws that never touched the P&L?

- After those adjustments, did cash in the bank actually rise or fall, and by how much?

Checklist: Foundation Readiness Check

- Assumptions memo is written and fits on one page
- Budget, forecast, and target are in three separate columns, not one
- Decided the budget will be frozen once approved, with changes captured in the forecast instead
- Confirmed I will project cash separately, not just net income
- Set a budgeting calendar with a freeze date before the fiscal year starts

Building the Annual Operating Budget

Build revenue from drivers, classify every cost by behavior, and budget headcount at fully loaded cost.

Worksheet: Pick and Populate Your Revenue Driver Model

Choose the driver formula that matches your business and fill in the inputs. These become the live cells you will update every month in your rolling forecast.

Business type and chosen driver formula (units x price / customers x ARPA / hours x rate / transactions x ticket)

Beginning quantity (customers, or expected monthly units/transactions)

Acquisition rate (new customers or units per month)

Churn or repeat rate (% lost or % returning per month)

Average price / order value / effective rate

Monthly seasonality curve (each month's % share of annual total, must sum to 100%)

Exercise: Classify Every Cost by Behavior

List your top 15 expense lines and tag each as fixed, variable, or mixed. For variable and mixed lines, estimate the per-unit (or per-dollar-of-revenue) rate. This is the prerequisite for the flexible budget and variance work.

- Which costs stay flat regardless of sales volume (rent, salaries, insurance, software)?

- Which costs move directly with volume (materials, processing fees, shipping, hourly labor), and what is the rate per unit or per \$ of revenue?

- Which costs are mixed, and using the high-low method, what is the fixed base versus the variable rate?

- Which 'fixed' costs are actually step-costs that jump at a capacity threshold (a new shift, a bigger lease)?

Worksheet: Fully Loaded Headcount Plan

Budget each current and planned role at its true cost, not just salary. Use a 1.25 to 1.4x multiplier on base as a starting default, then refine with your actual rates.

Role / name

Base salary (annual)

Employer payroll taxes (8-12% of base)

Benefits (health, retirement match; 10-20% of base)

Other loaded costs (equipment, software seats, training)

Planned start month (for partial-year proration)

Fully loaded annual cost and prorated cost for this fiscal year

Checklist: Operating Budget Quality Check

- Revenue is built from labeled driver cells, not a single growth percentage
- A monthly seasonality curve is applied and sums to 100%
- Every expense line is tagged fixed, variable, or mixed
- Variable rates are stored as inputs a flexible budget can recompute
- Headcount is budgeted fully loaded with correct start-month proration
- Applied zero-based scrutiny to at least one discretionary category (marketing, software, travel)

Variance Analysis: Reading What Actually Happened

Run a budget-versus-actual report with materiality thresholds, decompose the variances that matter, and convert them to action in a monthly review.

Worksheet: Set Your Materiality Thresholds

Decide the dual threshold a variance must breach to earn an explanation, so your review focuses on the few lines that decide the year rather than all sixty.

Dollar threshold to investigate (e.g., > \$1,000)

Percentage threshold to investigate (e.g., > 10%)

Rule: a line must breach BOTH thresholds to require a written explanation (yes/no)

Quarterly review date to re-set thresholds as the business grows

Exercise: Decompose Your Largest Variance

Take the biggest material revenue or cost variance from your most recent month and split it into volume and price (or rate and efficiency) effects. The two pieces must reconcile back to the total.

- What is the total variance in dollars, and is it favorable or unfavorable to profit?

- Volume/efficiency effect = (actual quantity - budgeted quantity) x budgeted price/rate. What is it?

- Price/rate effect = (actual price/rate - budgeted price/rate) x actual quantity. What is it?

- Do the two pieces sum back to the total, and what action does the split point to (and which action would it warn you against)?

Checklist: Monthly Close Review Agenda

- [] Headlines: revenue, gross margin, operating income, cash vs budget and vs last month (5 min)
- [] Walk only threshold-breaching variances; owner of each gives cause and action (20 min)
- [] Update the forecast and full-year landing given what we now know (15 min)
- [] Review the 13-week cash position and pinch points (10 min)
- [] Capture every decision with an owner and a date (10 min)
- [] Open next month's review with status of last month's committed actions

Rolling Forecasts, Cash, and Presenting to Stakeholders

Keep a rolling 12-month forecast and a 13-week cash projection current, stress-test with scenarios, and build a board pack that earns trust.

Checklist: Monthly Rolling-Forecast Update Routine

- [] Replaced the just-closed month's forecast with actuals from accounting
- [] Updated key drivers (new customers, churn, average order, pipeline) with current reality
- [] Let the model recalculate the remaining open months from updated drivers
- [] Added one new month at the far end to keep a full 12-month horizon
- [] Recorded the new full-year landing versus budget and the reason for the change

Worksheet: Build Your Three Scenarios

Stress-test the plan by toggling a small set of drivers. The point is to prove the business survives the downside and can fund the upside.

Base case driver values (new customers/month, churn %, average price, collection days)

Downside driver values (e.g., revenue -20%, slower collections) and resulting low cash point

Upside driver values (e.g., revenue +15%) and the cash/capacity needed to fund it

Trigger: what early signal tells you which scenario you are actually in?

Pre-decided action if the downside materializes (what gets cut, in what order)

Exercise: Draft the One-Page Board Update

Assemble the stakeholder pack from the course outline. Lead with the headline, be honest about variances, and end with clear asks.

- What is the one-line headline on revenue, margin, operating income, and cash versus plan?

- What three or four things drove this period, and what three or four will drive the next?

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- Which material variances will you surface proactively, with cause and action, before anyone asks?
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- What specific decisions or approvals are you asking the room for?
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Checklist: Stakeholder-Ready Check

- Summary fits on one page: actual vs budget vs forecast with full-year landing
- Only material variances shown, each with a cause and an action
- 13-week cash position and runway-in-months (if pre-profit) are included
- Base case and a downside are both presented, not a single point
- No bad number is hidden; the unflattering ones are stated first
- Asks are explicit and tied to a decision the audience can make

Your Action Plan

1. Write the one-page assumptions memo and set a budgeting calendar with a freeze date before fiscal year start.
2. Build revenue bottom-up from labeled driver cells and apply a monthly seasonality curve.
3. Classify every expense line as fixed, variable, or mixed, and store variable rates as inputs.
4. Budget headcount person-by-person at fully loaded cost with correct start-month proration.
5. Consolidate, reconcile top-down versus bottom-up, get approval, and freeze the budget.
6. Each month, pull actuals and run a budget-versus-actual report with dual materiality thresholds.
7. Decompose every material variance into volume and price (or rate and efficiency) effects before acting.
8. Hold a 60-minute monthly close review that ends in dated, owned actions, and revisit them next month.
9. Maintain a rolling 12-month forecast and a 13-week direct cash-flow projection, updated every cycle.
10. Build base, downside, and upside scenarios and present a one-page board pack that hides no bad number.

