

## Lesson 1: The Budget

### I. Key Terms

Financial target	bottom-up
Objectives	
Forecast	to predict
Plan	to achieve
Outcome	
long-term	What is the bottom-line?
short-term	To set priorities
top-down	To allocate resources

### II. Case Study

Here is the simplified budget /Profit and Loss of company XXX from January 1 to December 31.

Category	Actual	Budget	Difference
<b>Revenue</b>			
Net Sales	\$385,400.00	\$300,000.00	\$85,400.00
Interests / Investments	\$30,000.00	\$22,000.00	\$8,000.00
<b>Total Income</b>	<b>\$415,400.00</b>	<b>\$322,000.00</b>	<b>\$93,400.00</b>
<b>Expenses</b>			
Material Costs	\$182,900.00	\$131,300.00	\$51,600.00
Salaries	\$68,250.00	\$45,000.00	\$23,250.00
Rent	\$23,000.00	\$23,000.00	\$0.00
Advertising	\$8,650.00	\$9,000.00	-\$350.00
Taxes & Licenses	\$11,700.00	\$10,000.00	\$1,700.00
Administration Costs	\$9,200.00	\$10,650.00	-\$1,450.00
Other	\$5,800.00	\$4,500.00	\$1,300.00
<b>Total Expenses</b>	<b>\$309,500.00</b>	<b>\$233,450.00</b>	<b>\$76,050.00</b>
<b>Net Income</b>	<b>\$105,900.00</b>	<b>\$88,550.00</b>	<b>\$17,350.00</b>

### III. Questions

1. General
  1. How do you formulate your budgets? Describe the process.
  2. Are your budgets top-down or bottom-up?
  3. What is the time frame of your budgets?
  4. What do you do when you are under-budget or over-budget?
  5. Do you have monthly budgets and reports?
  6. Do you keep any personal budget for your home life?
2. Case Study
  1. Was the total income better or worse than expected?
  2. What expenses were correctly budgeted?
  3. Imagine why the salaries and materials have not been budgeted correctly.
  4. What is the bottom-line here?