

BUDGETING 101:

Where to Start?

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INTRODUCTION

Budgeting is a fundamental aspect of financial management, particularly for finance staff within Indigenous organizations. This guide provides an easy-to-follow introduction to budgeting, helping you understand the basics and start building effective budgets.

KEY CONCEPTS

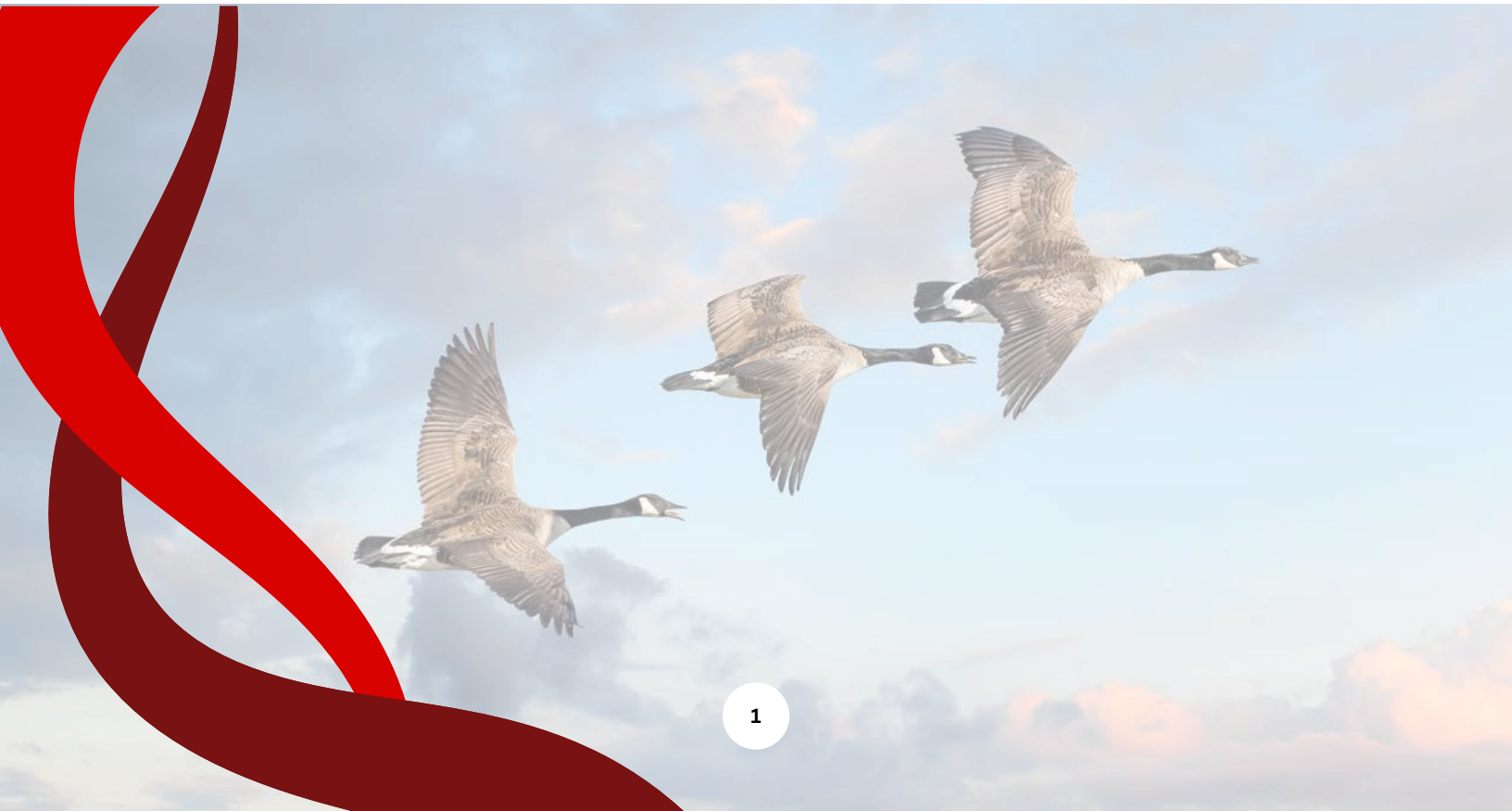
WHAT IS BUDGET?

A budget is a financial plan that estimates income and expenses over a specified period.

- **Purpose:** It helps in planning, controlling, and monitoring financial resources to achieve organizational goals.

TYPES OF BUDGETS

- **Operational Budgets:** Focus on day-to-day expenses and revenues.
- **Capital Budgets:** Concerned with long-term investments and capital expenditures.
- **Cash Flow Budgets:** Track the inflow and outflow of cash to ensure liquidity.





STEPS TO CREATE

A Budget

1 SET OBJECTIVES

- **Define Goals:** Identify what the budget aims to achieve (e.g., cost reduction, resource allocation).
- **Prioritize:** Rank objectives based on their importance and impact on the organization.

2 GATHER INFORMATION

- **Historical Data:** Collect past financial data, including income statements, balance sheets, and cash flow statements.
- **Market Analysis:** Understand current economic conditions and trends that may affect the budget.
- **Internal Data:** Gather information on current resources, ongoing projects, and departmental needs.

3 ESTIMATE REVENUES

- **Historical Trends:** Use past data to predict future revenues.
- **Market Conditions:** Consider factors such as market demand, economic forecasts, and pricing strategies.
- **Realistic Assumptions:** Ensure assumptions are grounded in reality to avoid overestimating revenues.

4 FORECAST EXPENSES

- **Fixed Costs:** Include costs that remain constant regardless of activity level (e.g., rent, salaries).
- **Variable Costs:** Include costs that vary with activity level (e.g., utilities, materials).
- **Contingency Funds:** Set aside funds for unexpected expenses or emergencies.

5 CREATE THE BUDGET

- **Income Statement:** Project revenues and expenses to determine net income.
- **Cash Flow Statement:** Forecast cash inflows and outflows to ensure liquidity.
- **Balance Sheet:** Estimate the organization's financial position at the end of the budget period.

6 REVIEW AND ADJUST

- **Internal Review:** Conduct internal reviews with department heads and key stakeholders.
- **Adjustments:** Make necessary adjustments based on feedback and new information.
- **Approval:** Obtain formal approval from senior management or the governing body.



TOOLS AND TECHNIQUES

Excel

- **Templates:** Use budgeting templates available in Excel for consistency.
- **Formulas:** Utilize formulas to automate calculations and ensure accuracy.

Example Formulas

- **Sum:** `=SUM(A1:A10)` to total a range of cells.
- **Average:** `=AVERAGE(B1:B10)` to find the average value of a range.

Financial Software

- **Budgeting Tools:** Consider using financial software that offers budgeting modules.
- **Integration:** Ensure the software integrates with existing accounting systems for seamless data flow.

Scenario Planning

- **Best-Case/Worst-Case:** Develop different scenarios to understand potential outcomes.
- **Sensitivity Analysis:** Analyze how changes in revenue or expenses impact the budget.

PRACTICAL TIPS

For Finance Staff

STAY ORGANIZED

- **Data Management:** Keep all data well-organized and easily accessible.
- **Documentation:** Document all assumptions, sources, and methodologies used in the budgeting process.

COLLABORATE

- **Engage Stakeholders:** Involve relevant departments and stakeholders in the budgeting process.
- **Seek Guidance:** Don't hesitate to ask for help from more experienced colleagues or mentors.

CONTINUOUS LEARNING

- **Training:** Participate in training sessions and workshops on budgeting and financial management.
- **Resources:** Utilize online resources, books, and professional networks to enhance your knowledge.



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