



Budgeting & Forecasting: The Dynamic Duo of Sound Financial Planning

Stuart Margolis, CPA, MT & Bart Krupnick, CPA, CVA

Published in GAA UpDate, 2008

When talking about management decisions in today's economy, there are important planning tools that any well-run printing company must embrace. Most printers do some sort of what is usually called "Budgeting," and that is important. Others use what they call "Forecasting," which is also vital. The terms Budgeting and Forecasting can be used interchangeably, but whatever term you use, preparing these planning tools is an important, even essential activity, during these very difficult economic conditions. Your Budget or Forecasting Plan can be used for a variety of management functions, including planning and cost control, benchmarking, accountability, targets, staff involvement, and proactive sales planning.

The Process

Where do we start? Let's begin with **Revenue**. Your Sales Projection should be the result of careful analysis by customer and sales person; and should also consider new customer expectations. These figures should be developed conservatively for the overall Plan; but separate, more aggressive goals could be established for the sales force. The Plan can be adjusted to allow

for sales increases or decreases as needed.

On the **Expense** side, let's look first at your biggest expense of all: Payroll. With payroll taxes, benefits and worker's compensation, payroll most likely accounts for 45% to 50% of your fixed expenses. Fixed costs, of course, exclude materials and outside services. Using your employee list, you can project your total payroll expense, including planning for raises, providing for overtime, health insurance, retirement contributions, assessing staffing needs, changes, etc. Your other Expenses (fixed costs like depreciation, utilities and office expenses, etc.) should be computed from historical data and other known information such as increasing fuel costs, rent adjustments, capital expenditures, COLAs, etc. Interest costs should be computed from a projection of loan balances, debt service requirements, and a line of credit needs.

(Continued)

“Your budget or forecasting plan can be used for a variety of management functions...”



Budgeting & Forecasting: The Dynamic Duo of Sound Financial Planning

Stuart W. Margolis, CPA, MT & Bart Krupnick, CPA, CVA *(Continued)*

A simplified projection analysis is provided below. Yours should obviously be more detailed.

	PY Actual Results		CY Plan		Source of information
Sales	4,500,000	100.0%	5,000,000	100.0%	per customer/salesperson projections
Materials/Outside Services	1,530,000	34.0%	1,700,000	34.0%	historical % of sales +/- production changes
Value Added	2,970,000	66.0%	3,300,000	66.0%	
Factory Labor Costs	1,170,000	26.0%	1,250,000	25.0%	per detailed schedule by employee
Factory Overhead	736,000	16.4%	775,000	15.5%	historical \$ +/- COLA and planned changes
Gross Profit	1,064,000	23.6%	1,275,000	25.5%	
Admin Payroll	200,000	4.4%	225,000	4.5%	per detailed schedule by employee
Other Admin Expenses	220,000	4.9%	250,000	5.0%	historical \$ +/- COLA and planned changes
Sales Payroll Costs	360,000	8.0%	400,000	8.0%	per detailed schedule by employee including comm. on projected sales
Other Selling Expenses	142,000	3.2%	150,000	3.0%	historical \$ +/- COLA and planned changes
Operating Income	142,000	3.2%	250,000	5.0%	
Interest Expense	70,000	1.6%	65,000	1.3%	per debt service schedule
Other Income	20,000	0.4%	25,000	0.5%	
Income Before Taxes	92,000	2.0%	210,000	4.2%	

(Continued)



Budgeting & Forecasting: The Dynamic Duo of Sound Financial Planning

Stuart W. Margolis, CPA, MT & Bart Krupnick, CPA, CVA *(Continued)*

Your Plan should be compared with actual results throughout the year and updated if needed for major changes. We suggest that all key managers participate in development of the Plan, not only to provide departmental input, but also to achieve teamwork and buy-in.

Budgeting and forecasting form the basis for understanding and assessing your company's financial health. Sound financial planning truly is a basic tool for the healthy, wealthy, and wise.

MargolisBecker, The Business and Management Advisors, is a CPA firm specializing in the graphic arts industry.

Whatever your goals and needs, we have the solution. Our services include strategic planning, business valuations, mergers & acquisitions, turnaround management, accounting, auditing and tax compliance. The Company has prepared the PIA/GATF Ratio Studies since 1960.

If you have any comments or questions, you may reach us at:

888-577-1717

or

talk.to.us@margolisbecker.com



*Bart L. Krupnick
CPA, CVA*



*Stuart W. Margolis
CPA, MT*

Washington, DC 10001 Derekwood Lane, Suite 210 Lanham, MD 20706 888.577.1717 p 301.577.1313 f 301.577.0431	Philadelphia 555 City Line Avenue, Suite 460 Bala Cynwyd, PA 19004 888.577.1717 p 610.667.4310 f 610.667.2099
--	---