



FENCETECH²⁰₂₃
& METALfab
OKLAHOMA CITY

Budget Development &
Forecasting for Fence
Company Growth
with **TONY**

THORNTON





Budget Development & Forecasting

What is a Budget?

A budget is a detailed document that businesses use to track income (revenue) and expenses in a way to make operational decisions for the best financial outcome of the business.

ARE YOU PREPARING A BUDGET?

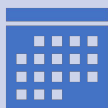
Budget Development & Forecasting



Preparing a budget is one of the most important business practices an owner must do to ensure company stability and growth.



Budgets support how a company will leverage capital (revenue) to achieve goals for growth.



Both short term (monthly) and long term (annual) budgets should be developed, and necessary adjustments made to stay on track with long term.





Example of 12 Month Budget

INCOME	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Operating Income													
Chain Link													-
Wood													-
Ornamental													-
Vinyl/PVC													-
Agriculture													-
Automation													-
Other													-
Total Operating Income	-	-	-	-	-	-	-	-	-	-	-	-	-



Example of annual Budgets

INCOME	Actual	% of TS	Budget	% of TS	Difference
Sales					
Chain Link	1,000	3.6%	900	3.3%	100
Wood	2,000	7.1%	1,900	7.0%	100
Ornamental	3,000	10.7%	2,900	10.6%	100
Vinyl	4,000	14.3%	3,900	14.3%	100
Agriculture	5,000	17.9%	4,900	17.9%	100
Automation	6,000	21.4%	5,900	21.6%	100
Other	7,000	25.0%	6,900	25.3%	100
Total Sales (TS)	28,000	100.0%	27,300	100.0%	700
Cost of Goods Sold (from details section)					
COGS - Chain Link	600	2.1%	900	3.3%	(300)
COGS - Wood	1,200	4.3%	1,900	7.0%	(700)
COGS - Ornamental	1,800	6.4%	2,900	10.6%	(1,100)
COGS - Vinyl	2,400	8.6%	3,900	14.3%	(1,500)
COGS - Agriculture	3,000	10.7%	4,900	17.9%	(1,900)
COGS - Automation	3,600	12.9%	5,900	21.6%	(2,300)
COGS - Other	4,200	15.0%	6,900	25.3%	(2,700)
Total Cost of Goods Sold	16,800	60.0%	27,300	100.0%	(10,500)
Gross Profit	11,200	40.0%	-	-	11,200



Budget Development & Forecasting

Actual vs Budgeted columns should be
Inserted to allow comparisons.

INCOME	Actual	% of TS	Budget	% of TS	Difference
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Budget Development & Forecasting

- Understand “Budget vs Cashflow” differences. Both monitor the flow of money, but two (2) key differences exist.
- ✓ Budgets offers a more granular detail on how the money is spent than a cashflow statement, providing an effective method for considering where to trim expenses.
- ✓ Budgets are better tools used to evaluate direct work within the company vs a cashflow statement providing a high-level overview of how the money is used.



Budget Development & Forecasting

Four Primary Steps to Prepare a Budget

1. Understanding Your Company Goals
2. Estimating Company Income (revenue) for the Period of the Budget
3. Identify Company Expenses
4. Determine Company Budget Surplus or Deficit



Budget Development & Forecasting

Step One Understanding Your Company Goals

- ◆ It is important to have a firm understanding of the company goals.
 - 10% Growth
 - Additional Products
 - New Resources
 - New Facilities



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Step Two

Estimating Company Income (revenue) for the Period of the Budget

- ◆ Determine Company Income (revenue) and cashflow by Categories
 - Chain Link
 - Wood
 - Ornamental
 - Vinyl
 - Agricultural
 - Automation
 - Other



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Step Three

Identify Company Expenses

- ❖ **Determine Fixed and Variable Expenses (cost) the Company will incur**
 - Fixed Expenses remain constant/no drastic variations- rent, vehicles, insurance, etc.
 - Variable Expenses change due to sales totals, utilities, market changes, etc.

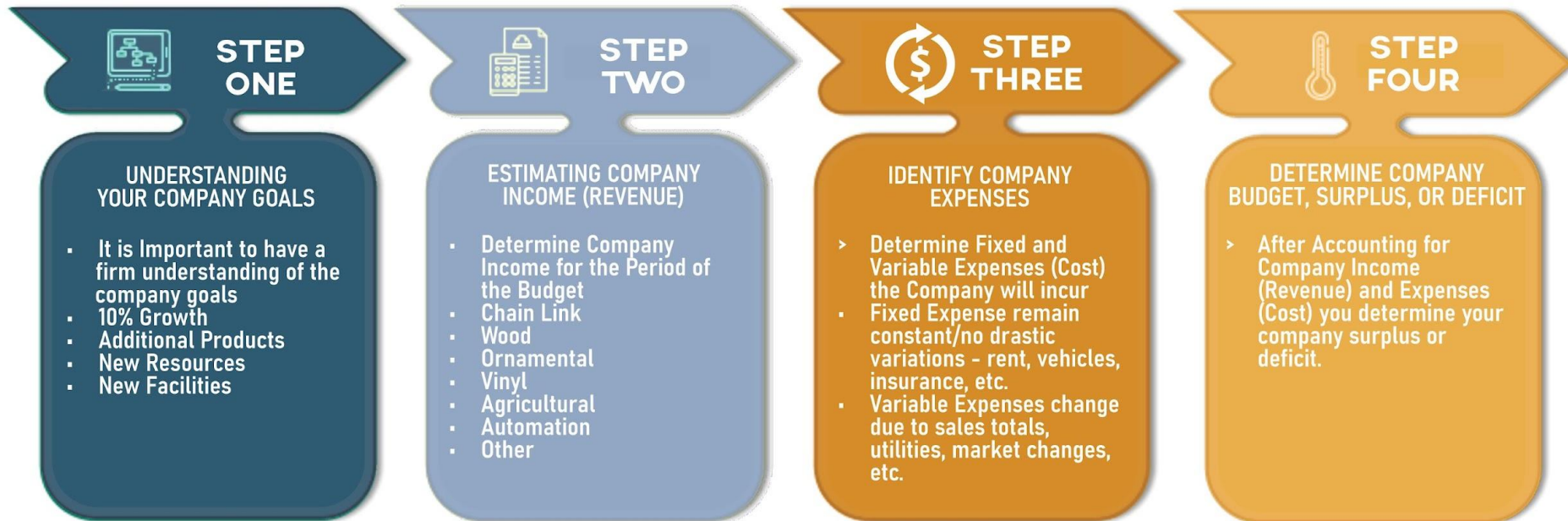


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Step Four

- ❖ *Determine Company Budget Surplus or Deficit*
 - *After accounting for Company Income (revenue) and Expenses (cost) you determine your company surplus or deficit.*

Budget Development Procedure





Budget Development & Forecasting

What is Forecasting?

Refers to a decision-making practice of predicting what will happen in the future based on past and present market conditions.

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Provides a conservative estimate of how much sales revenue will be obtained in the upcoming year.

ARE YOU FORECASTING?



Budget Development & Forecasting

Preparing a forecast is one of the most important business practices an owner must do to ensure company stability and growth.

Forecast is a tool that enables businesses to chart their next moves and creates budgets that will hopefully cover the unforeseen issues.

Both budgeting and forecasting are tools that business owners must utilize to plan for the future.



Budget Development & Forecasting

Two Primary Forecasting Methods

- ✓ Qualitative Method
- ✓ Quantitative Method





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Qualitative Method

- ✓ Also known as judgemental method and provides subjective results
- ✓ Comprised by personal judgements by experts or forecasters
- ✓ This method is considered bias because of expert knowledge and experience
- ✓ This process is non-mathematical and rarely uses data



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Quantitative Method

- ✓ This method is a mathematical process
- ✓ Provides consistent and objective outcomes
- ✓ Steers away from opinion and intuition
- ✓ Uses data and figures to support the process



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Considerations for Forecasting

- ◆ **Involves Future Events-** making them important for planning
- ◆ **Past & Present-** considerations for what has happened in the past and what is expected in the future
- ◆ **Use Both Methods-** to prepare the best forecast for the company



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Process of Forecasting

- ✓ **Develop the Basis-** considering the company's condition and identifying where the business is currently positioned in the market
- ✓ **Estimate Future Business-** involves estimating the future conditions of the industry where the business operates and projecting/analyzing how the company will fare
- ✓ **Regulate the Forecast-** comparing past trends with the company



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Source Data for Forecasting

- ✓ **Primary Resources**– first hand information gathered by owners from past reports, interviews and fact gathering groups to support the forecast
- ✓ **Secondary Resources**– sources that can supply information published by others such as industry reports, economic interviews, etc.



Budget Development & Forecasting

What ARE WE FORECASTING?

Revenue Projections - Cost of Good Projections = Gross Profit Projections

Gross Profit Projections - Expenses Projections = Net Profit Projections

**LET'S RUN OUR BUSINESS,
INSTEAD OF LETTING THE BUSINESS RUN US!**



THANK YOU.

Please complete the session survey.