

Budgeting for Success

A budget is telling your money where to go instead of wondering where it went. Dave Ramsey

A budget is a guideline that can be used as a powerful resource for cash management. Successful budgeting will make sure you have the resources you need to attract new customers, motivate your sales teams, and secure new capital for business expansion in a more efficient manner.

You should always be aware of where your cash is going and why. Review the performance of each department and consider whether you need to start allocating your time and money elsewhere. Track revenues and expenditures; designate funds to the spending accounts you feel are most beneficial to your business evolution.

Budgeting Essentials

How will you generate profits, control production costs and measure the results?

Your past experience and research of businesses in your industry are key to building a profitable and sustainable budget. Develop a list of financial strategies used by similar businesses.

As you begin collecting data, you must constantly be updating your strategic plans. The more information you have the more accurate and useful your forecasts become.

For example, make a list of primary and secondary systems you can use to find prospective clients. Add this information to your long-term budgeting plans and update your conclusions on an ongoing basis.

Pricing Your Products and Services

Price is only a consideration in the absence of value. One of the most devastating accounting errors made by most companies is pricing their products and services too low.

Many businesses try to break into new markets by undercutting their competition. In the short run, they can gain new customers. However, the marginal cost of each new customer acquired is exorbitant over the long run.

This practice also brings into question the quality of the company's products and services by their customers. Quoting prices below your required profit requirements is not a sustainable strategy.

Faulty Budgets

Another critical accounting error is building budgets based on last year's performance. Future success cannot be forecast based on prior performance. New strategic assumptions must be created that are in alignment with management's current goals to be successful.

An accurate budget will list all anticipated expenses as well as take into consideration changes in everyday business realities such as seasonal changes in sales volume. It should always include a contingency for unexpected expenses.

Invest Your Money Wisely

Evaluate if it makes sense to invest profits back in the business, save funds for unexpected costs or show healthy profits to investors and bankers. Your strategy will differ depending on whether you want to focus on growth, borrow money or sell your business.

Outsourcing can be Your Most Profitable Solution

Evaluate the functions you handle and analyze what it would cost to outsource each specific task. This will allow you to identify the best way to invest your time and energy in more valuable objectives in order to achieve the greatest return on your investment.

Outsourcing can be best seen as a strategy that enables you to dedicate your time to growing your enterprise rather than spending it on daily operations.

Best Accounting Practices

It starts with creating consistent and well-documented procedures. Using industry best practices makes the entire process efficient for everyone involved.

Determine the risks and weaknesses in your accounting methodology and make a list of ways to improve in those areas. Make sure there are checks and balances every step of the way.

Listen to your vendors, clients and independent contractors regarding complaints they have about your practices. This type of feedback is critical in finding omissions, errors and potential fraud.

Frequent Reviews

Review all your accounting policies and procedures at least annually. The more frequent your reviews the better. It is imperative you keep up with new laws, practices, and technologies. Stay as relevant as you can in your market niche.

Business Valuation

To keep your plans on track, we recommend you have your business valued by a professional on at least an annual basis. This will sharpen your game, help you keep up in a constantly changing global environment and make sure your business is operating as effectively as possible.

Your objective is to increase the time you spend on the products and services that generate the maximum amount of profit and decrease the time you spend on business that delivers lower rates of return. It is imperative you continually improve your budget by increasing its accuracy as a tool for projections and forecasting.

How We Can Help You

[Pacific Crest Group](#) (PCG) provides professional services that keep your business focused on your critical objectives. We provide strategic Accounting and Human Resource (HR) services created specifically to help you meet your goals. Through exemplary customer service, clearly defined policies and procedures as well as a forward looking perspective, we provide the outsourced solutions your business needs to grow. A PCG professional is happy to meet with you to discuss solutions for your unique requirements designed to maximize all of your business opportunities.