**Business**

**Week 7: Financial Planning and Budgeting**

* **Objective:** Create a basic budget and financial plan for a business.
* Topics: Budgeting basics, financial forecasting.

**Handout 1: Financial Planning and Budgeting - Lesson 1: Budgeting Basics**

**Objective:**

* Learn the basics of creating a budget for a business.

**1. What is a Budget?**

* **Definition:**
A budget is a plan that shows how much money a business will earn (income) and how much it will spend (expenses) over a period of time.
* **Why is a Budget Important?**
A budget helps businesses:
	+ Control spending.
	+ Plan for future costs.
	+ Make sure they have enough money for their needs.
	+ Make smarter financial decisions.

**2. Parts of a Budget:**

* **Income:**
Money the business makes from selling products or services.
*Example: Sales from products.*
* **Expenses:**
Money the business spends on things like rent, salaries, and supplies.
*Examples: Rent, wages, materials.*
* **Profit:**
Money left over after paying expenses.
*Formula: Income - Expenses = Profit.*

**3. How to Create a Simple Budget:**

**Step 1:** List all sources of income.
*Example: Sales from products or services.*

**Step 2:** List all expected expenses.
*Examples: Rent, salaries, materials.*

**Step 3:** Subtract expenses from income to find the profit.
*Formula: Income - Expenses = Profit.*

**4. Example of a Simple Budget:**

| **Category** | **Amount** |
| --- | --- |
| Income | $10,000 |
| Expenses |  |
| - Rent | $1,500 |
| - Utilities | $300 |
| - Salaries | $4,000 |
| - Supplies | $1,200 |
| **Total Expenses** | $7,000 |
| **Profit** | $3,000 |
|  |  |

**5. Activity: Create a Budget for a Small Business**

**Task:**
Pick a small business (e.g., a bakery, bookstore). Create a simple budget for one month. List the income and expenses, and calculate the profit.

**4. Budget for \_\_\_\_\_\_\_\_\_\_\_\_\_:**

| **Category** | **Amount** |
| --- | --- |
| Income | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Expenses |  |
| - \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
|  |  |
| **Total Expenses** | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
| **Profit** | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
|  |  |

**6. Homework:**

**Task:**
Improve the budget you made in class by adding more details to the income section, think of more ways how to generate income.

| **Category** | **Amount** |
| --- | --- |
| Income: |  |
| - \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
|  |  |
|  |  |
| Total Income | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
|  |  |
| Expenses |  |
| - \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
|  |  |
| **Total Expenses** | \_\_\_\_\_\_\_\_\_\_\_\_\_ |
| **Profit** | \_\_\_\_\_\_\_\_\_\_\_\_\_ |

**Handout 2: Financial Planning and Budgeting - Lesson 2: Financial Forecasting**

**Objective:**

* Learn how to make a financial forecast for a business.

**1. What is Financial Forecasting?**

* **Definition:**
Financial forecasting is when you estimate how much money your business will make (income) and spend (expenses) in the future.
* **Why is it Important?**
It helps businesses:
	+ Plan for growth.
	+ Spot financial problems early.
	+ Make smart choices about spending and investments.

**2. Types of Financial Forecasts:**

* **Short-term Forecast:**
Predicts income and expenses for the next few months or a year.
*Example: Sales and costs for the next quarter.*
* **Long-term Forecast:**
Predicts income and expenses for the next few years.
*Example: Expected growth in sales over the next three years.*

**3. How to Create a Financial Forecast:**

**Step 1:** Look at past financial data.
See what the business has earned and spent before.

**Step 2:** Estimate future income.
Predict how much money the business will make based on current trends.

**Step 3:** Estimate future expenses.
Predict how much the business will need to spend.

**Step 4:** Calculate future profit.
Subtract estimated expenses from estimated income to predict future profit.

**4. Example of a Financial Forecast:**

| **Category** | **Amount (Month 1)** | **Amount (Month 2)** | **Amount (Month 3)** |
| --- | --- | --- | --- |
| **Income** | $10,000 | $11,000 | $12,000 |
| **Expenses** |  |  |  |
| - Rent | $1,500 | $1,500 | $1,500 |
| - Salaries | $4,000 | $4,000 | $4,000 |
| - Marketing | $500 | $600 | $700 |
| **Total Expenses** | $6,000 | $6,100 | $6,200 |
| **Profit** | $4,000 | $4,900 | $5,800 |

**5. Activity: Create a Financial Forecast for a Small Business**

**Task:**
Using the budget from Lesson 1, predict the income, expenses, and profit for the next three months. Think about changes that might happen, like seasonal sales or new marketing efforts.

| **Category** | **Amount (Month 1)** | **Amount (Month 2)** | **Amount (Month 3)** |
| --- | --- | --- | --- |
| **Income** | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ |
| **Expenses** |  |  |  |
| - \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ |
| - \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ |
| **Total Expenses** | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ |
| **Profit** | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_ |

**6. Presentations:**

**Task:**
Explain and present your financial forecast. Explain how you estimated the income, expenses, and profit for the next three months.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_