

## Budgeting

### **Budgeting**

A [budget](#) is a plan, which is set out in numbers. It sets out figures that an organisation like a company hopes to achieve in the future. For example, a company like Kraft will create budgets for:

Budgeted sales

Budgeted production figures

Budgeted costs, etc.

Here is a sales, costs and profits budget for the supply of chocolate eggs in the six months leading up to Easter:

	Nov	Dec	Jan	Feb	Mar	Apr
Budgeted sales (£)	10,000	12,000	8,000	9,000	18,000	25,000
Budgeted costs (£)	5,000	6,000	4,000	4,500	9,000	12,500
Budgeted profit (£)	5,000	6,000	4,000	4,500	9,000	12,500

Note that the actual figures achieved by the company may be different from the budgeted ones. For example sales figures may be £20,000 because demand is less than expected. However, costs may be the same because the firm may have already produced £12,500 worth of eggs to sell. If that were the case then actual profit would only be £7,500, which would be really short of the budgeted figures.

	Calculation: April Budget	Actual figures for April
Sales (£)	25,000	20,000
Costs	12,500	12,500
Profit	12,500	7,500

A budget is a plan for the future set out in numbers dealing with quantities such as sales, costs and production.