

Using a budget

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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: 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.

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