



# KITCHEN TABLE CONSULTANTS



## **Building A Budget From Scratch:** *In 60 minutes or less*

**Presented by: Rebecca Frimmer**

# WHAT WE DO



Advising & Coaching



Hands on Help & Project Management



Small Business Bookkeeping



Interim/Virtual Management Team



Makers & Farmers Roundtable



Community of Business



# Agenda for Today...

- Budgeting – where do we start?
- Using Chart of Accounts as a Template for your Budget.
- KTC’s “Best Practice” Chart of Accounts.
- Categorizing Expenses as Variable, Fixed or Budgeted.
- Using the tool to understand “What if” scenarios.







**Let's get started...**

# Building a budget & where to start...

- Export the P&L from Quickbooks or whatever software you have by year, for the last 2-3 years.
- Review your chart of accounts, ask yourself if it is organized and easy to follow.
- Either update your COA and commit to it for the year, or use current COA as the template for your budget & assumptions by line.





# Why focus on Chart of Accounts...

- The template for your bookkeeping and your budget should be the SAME.
- Foundation of all of your financial analysis.
- Set up for success so that you can understand your true costs and how you make a profit.
- Proper set up of accounts will eliminate a lot of frustration and time consuming re-work.



# You Choose - Financials that look like:



Literally the aftermath of a Tornado...

# OR Financials that look like:



Organized, easy on the eyes...





The background of the slide is a dark, rich brown wood with a prominent vertical grain and several knots. The lighting is slightly uneven, creating a sense of depth and texture.

**What if my COA  
is messy and  
difficult to follow?**





**Take the time to  
build a solid  
foundation with  
KTC's COA  
Template**



# KTC's Best Practice COA

- Revenues
- COGS
- → Gross Profit
- Operating Expenses
- Labor
- General & Administrative
- Fixed Expenses
- One Time Expenses
- → Net Profit

Don't forget  
to download  
our Chart of  
Accounts  
handout!







# Let's start at the top:

## 1. Revenues (sales)

- Make sure your sales will compare to COGS...
- → Major Categories not Venues
  - Livestock Operation: Beef, Chicken, Lamb
  - Retail Store by department: Dry goods, Butcher Shop, Cheese, Dairy
  - NOT farmers market, wholesale, CSA (use customer designation and sales by customer reports for that)
- Do not use too much detail...
  - Quickbooks can track items, but do you want to? Are you tracking items in another system like Square?





## 2. COGS

- COGS: Cost of Goods Sold.
  - Align with your Revenues.
- What is truly a COG?
  - 1:1 relationship with sales
  - Usually product and packaging
  - Sometimes direct labor
- Why is it important?
  - Gross Profit (\$) and Gross Margin (%).





# 3. Expenses: Below the Gross Margin Line.

- Labor:
  - Non-Direct
    - Don't forget workmans comp and payroll taxes
- General and Administrative:
  - Owner has some discretion.
  - Usually includes marketing, office related, market fees, dues/certifications, professional services.
- Operating Expenses:
  - Move up and down with sales, but not directly.
  - Production Supplies, Sales Supplies, Maintenance, Fuel, Utilities.





# Expenses...continued

- Fixed Expenses:
  - Rent
  - Interest
  - Depreciation
  - Insurance... but only some
- One-Time Expenses
  - New equipment
  - Special projects (build out)
- Ask Accountant / me :)





# Expenses: Parent Categories & Subcategories

- General & Administrative
  - → office supplies & postage
  - → marketing expenses
- Operating Expenses
  - → repairs and maintenance
  - → fuel



# How does this help me?

- It gives you a template when you want to make a budget.
- It tells a story.
- It streamlines your bookkeeping process.
- It makes comparisons stand out & identifies trends.
- It helps you understand HOW and WHERE you make a profit--then it's up to you.







**Ok, I downloaded my  
P&L. How does this  
become by budget?**

# Start with Sales

Critical thinking steps

- What drives my business?
- What are my sales channels?

Use “Sales by Channel” worksheet

- Make sure you are projecting sales (demand) and your growth by product line (supply) that match up

Don't forget to download our Budget Template to start with this worksheet!





# Creating your Budget Set Up

- Calculate % of Sales for last year(s) as a baseline.
- Identify each line as S-F-V-B, sales-fixed-variable-budgeted.
- Fill in your sales from “sales by channel”
- Fill in your fixed and budgeted expenses “set up numbers”
- Fill in your variable % of sales under “set up numbers” based on historical data and new business



The background of the image consists of vertical wooden planks with a dark, rich brown color and prominent wood grain patterns, including knots and natural imperfections. The lighting is slightly uneven, creating subtle gradients of dark brown and black.

**Now we crunch  
the numbers!**



# Calculating Your Budget

Apply formulas:

- Multiply Sales by the sensitivity factor.
- Use the equals sign for fixed and budget expenses.
- Multiply variable expense % by the sales it applies to, AND sensitivity factor.
- Calculate subtotals and totals
- Check your work



# Experimenting with Scenarios

- Use “Save As”
- Play with the sensitivity factor.
  - *What if I exceed my sales goal to 125% of projections?*
  - *What if it's a tough year and I only hit 80% of my sales goal?*
- Consider what happens if you adjust any of your budgeted items
- Consider changes to variable expenses with potential new vendors.



\*Make all changes under “set up numbers” – not OVER your formulas



# Best Practices for Staying on Top of Your Budget

- Separate your personal accounts!!!
- Stay organized with receipts, etc.
- Set a time aside every week to enter expenses, sales, and basic bookkeeping – stay on top of reconciling your accounts!
- Check P&L vs. Budget, monthly or at least quarterly and revise budget for remainder of year as needed.





# CONTACT US!

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