

(+) QuickBooks Quick Quiz....

(For QuickBooks Pro, Premier & Enterprise users: Please select all correct answers. Answers and explanations are provided on the next page)

Financial Plans & Budgets

Do you have a “Plan to Plan”? Here’s a quick quiz to help get your mental gears oiled and ready for action!

1. T or F - The best time of year to perform annual financial planning is in December or early January especially since, for some companies, business is a bit slower at that time of year.
2. T or F – After a target amount for a specific account has been determined, the budgeted dollars should be assigned equally between months.
3. T or F – After a target amount for a specific cost account has been determined, costs should not exceed the budgeted amount.
4. T or F – Each year’s budget should be a “zero-based” budget (i.e., individual expenditures or categories of expenditure listed, planned and reviewed in light of the year’s operating plans and goals)
5. T or F – The best way to start creating a budget is to estimate income and costs for each account, and to then see if the results turn out to be appropriate for your-sized company.

(+) Quick QuickBooks Quiz Answers...

Answers:

1. **False.** While late is better than never, a slow start is hard to overcome. The ideal time to have your annual financial plan completed is in late October or early November. This usually allows enough time to make various contacts, perform required research, and discuss plans, issues and expectations with participants. If everyone is primed for action, everyone can “hit the ground running” as the year begins.

2. **False.** While some income and costs may arrive equally throughout the year, many don't. Study last year's patterns of income and cost, and assign the target dollars to the appropriate months.

3. **False.** An example of a good reason to exceed budgeted costs? If income increases, costs directly related to income will increase.

Many people have a negative view of “budgets” as they believe them to be a system of constraints, rather than a plan for financial success. As with any plan, actual circumstances often drive changes to the original plan.

Many business experts believe that the real value of the budgeting process is derived from regular review of why actual results are different from what was planned, and what other factors need to be changed or adjusted as a result.

4. **True.**

5. **False.** We suggest using a “bottoms up” approach whereby you determine what you'd like your bottom line to be, add back established company overhead costs to arrive at the amount needed as gross profit, and then determine targets for gross sales and production costs to meet that gross profit goal.