

Business Planning

**Types of Budgets**

**Lump Sum** Budgeting is based on receiving a lump sum of dollars and budgeting appropriately to stay within the constraints of dollars.

**Incremental Budgeting** is to use a forecast of fixed overhead costs, computed by adding or subtracting a predetermined percentage from the historical costs (or current or past budgets).

**Program or Activity Based** budgets use statements of missions, goals and objectives to explain why the money is being spent. It is a way to allocate resources to achieve specific objectives based on program goals and measured results.” The key to understanding performance-based budgeting lies beneath the word “result”. In this method, the entire planning and budgeting framework is result oriented. There are objectives and activities to achieve these objectives and these form the foundation of the overall evaluation.

**Fixed Budget** is a budget, which is made without regard to potential variations in business activity. Such budgeting might be effective for companies with low variable costs, but otherwise is likely to be inaccurate.

**Flexible Budget** is a set of revenue and expense projections at various production or sales volumes. The cost allowance for each expense is able to vary as sales or production varies.

**Capital Budgeting** is the process of determining which potential long-term projects are worth undertaking by comparing their expected discounted cash flows with their internal rates of return.

**Strategic Planning** is the process of determining a company's long-term goals and then identifying the best approach for achieving those goals.

**Zero Based** Budgeting is a method for a corporation or government in which all expenditures must be justified each year, not just amounts in excess of the previous year.

**Zero Based – Sample Budget Breakdown**

**INCOME FROM SALES:**

1. Define revenue streams
2. Get counts of customers, prospects
3. Get counts of homes in desirable areas that you want to market
4. Develop strategy for marketing
5. Utilize historical information or decide what things you will track.

**DIRECT EXPENSE:**

1. Materials
   1. Discuss with staff and management rates of application for your geographic area for all products to be applied. If unsure you can always talk to your local suppliers and or your extension office. You should be using historical information to help get these numbers as well. You should calibrate on a regular basis to help determine if your current application rate is acceptable.
2. Vehicle Expense
   1. License Plates: Cost of registering your vehicle in your state.
   2. Insurance: Cost of insuring your truck and/or spray system in your state.
   3. Lease Payments: Cost of leasing both your vehicle and spray system package.
   4. Truck Repair: List all repairs needed to vehicles prior to budget have available during budget process.
3. Equipment Expense
   1. Spare Parts: Complete an inventory of spare parts used for repairs.
   2. Small Tools: On the equipment be sure to inventory everything that you currently have and try to project any needs. Inventory all the small tools.
4. Techncian Salaries
   1. Come prepared with your current compensation package.
   2. Be sure to investigate your fringe benefit percentages and any possible rate hikes for the coming year. Inquire into workmen’s compensation for all employee types including management.
   3. If paying health benefits or retirement savings contributions have these costs available.

**ADMINISTRATIVE EXPENSE:**

1. Office Supplies
   1. What are the cost of return #9 envelopes, #10 windowed Envelopes and #10 non Windowed Envelopes?
   2. What is the cost of a box (5,000 sheets) of copy paper in my area?
   3. What is the cost of backup tapes in my area?
   4. What is the cost of printer toner cartridges in my area?
   5. What is the cost of any special paper requirements (i.e. Carbonless Paper)
2. Office Maintenance

What types of small repairs are needed to the building but do not require to be classified under leasehold improvements.

1. Office Equipment

What type of small equipment is needed for the office (i.e. Fax Machine)

1. Office Rent
   1. What is cost of renting or leasing industrial space?
   2. Does your cost include all business taxes?
   3. Do you run multiple profit centers, how do you allocate the rent cost to each profit center?
   4. If existing space, what are the utilities paid for electricity or natural gas?
   5. What is the cost of renting an industrial garbage bin?
2. Miscellaneous Administration

Licenses, Permits & Memberships

1. Does any municipalities where you operate require business licenses to operate in their community or require fertilizer licenses? What are these costs?
2. Membership fees for Planet?
3. Membership fees for Local State Association?

Uniforms

1. When doing your inventory for uniforms be sure to only count the uniforms that will be in a good condition to use next season.

Training

1. Will you be holding a year-end party?
2. Will you be holding a summer picnic for your technicians and office staff?
3. What is the cost of certifying your technicians?
4. What is the cost of study material for certification process?

Recruiting

1. What is the cost of placing a classified ad in your local newspaper?
2. What is the cost of a display ad in the front, middle or back of your local newspaper?
3. Telephone
   1. Telephone costs. It is important to try to work on your phone costs each year. Contact your provider and see what you can do. Be sure to get the costs to install new lines as well. *Remember to bring a copy of your phone bill and a breakdown of phone costs for each month of the previous year.*
4. Insurance
   1. Obtain quotations for environmental (general liability) and office insurance from your insurance provider.
5. Professional Fees
   1. Determine costs for preparing your year end unaudited financial statements and preparation of Corporate Income Taxes.
   2. Determine the cost of legal services.
   3. Obtain costs of collection services.
   4. Obtain cost of payroll services.

9. Office, Manager Salaries:

If your operation shares expenses with another company then you will need to determine the way you want to allocate the expenses.

**SELLING EXPENSE:**

1. Promotion & Advertising
   1. Radio & Television
   2. Fact Sheets
   3. Lawn Flags
   4. Door Hangers
   5. Yellow Pages
   6. Promotional Gifts
2. Marketing
   1. Determine your sales compensation packages.

**CAPITAL EXPENDITURES, FINANCIAL EXPENSE AND DEPRECIATION:**

1. Determine Need for capital expenditures
   1. Computer Hardware
   2. Computer Software
   3. Leasehold Improvements
   4. Office Furniture
   5. Building
   6. Vehicles
   7. Equipment
2. Determine Financial Expense
   1. Understand Loan Terms
   2. Review all Leasing Options
3. Depreciation
   1. Request Schedule from accountant after your year end is completed from previous year.

**Items to Bring to a Business Plan**

1. All of your P&L statements from the previous year, if you are new to the zero based budgeting process bring multiple year financials to determine trends and opportunities.
2. Your Gross Sales and or similar reports that will help you determine revenue.
3. Calibration statistics.
4. Historical statistics.
5. Packing Slips and product invoices from previous year.
6. Labels of products you want to use for the coming season.
7. A complete inventory of materials (Lawn Care: fertilizer herbicide etc.) and an idea of what you will have left at end of the year.
8. Inventory of all your supplies: letter head, envelopes, LA’s, fact sheets, invoices, stamps, flags, uniforms etc.
9. Telephone costs for monthly service, install cost per call etc.
10. All lease agreements.
11. Price Chart.
12. All Managers from each department should bring compensation packages for each employee and be prepared to discuss needs and wants for employees.

*Note: The list provided is strictly a guideline and in no way an inclusive list it is meant to be an example. These are merely suggestions and should be changed and evaluated based on the type and size of business. The example used is from a lawn care company and should only be used to help current budgeting processes.*

Provided by



[LandscapeManagement.net/downloads](http://landscapemanagement.net/downloads/)