

# Sales forecasting and budgeting

# Sales budget

Purpose of sales budget :

1. It acts as a forecast mechanism
2. It takes into account past events of the organization
3. Unlike most of the statistical forecast methods which are linear nature, budget will take into consideration non-linear aspects of the future
4. Budgets can be very flexible in nature
5. It covers un-anticipated variance in the future

# Sales budget

Purpose of sales budget :

6. It acts as a benchmark for spending
7. It acts as a alarm for over spending expenditure and expenses
8. All members of marketing play role in its preparation
9. They are useful for managers to do self controlling and subordinate controlling
10. It is useful in studying long term trends of expenditure

# Sales budget format for All Product together

Category	Actual	Budget	Difference
<b>Inflows</b>			
Net Sales	385,400	300,000	85,400
Cost of Goods			
Merchandise Inventory, January 1	160,000	160,000	0
Purchases	120,000	90,000	30,000
Freight Charges	<u>2,500</u>	<u>2,000</u>	<u>500</u>
Total Merchandise Handled	282,500	252,000	30,500
Less Inventory, December 31	<u>100,000</u>	<u>120,000</u>	<u>(20,000)</u>
Cost of Goods Sold	<u>182,500</u>	<u>132,000</u>	<u>50,500</u>
Gross Profit	202,900	168,000	34,900
Interest Income	<u>500</u>	<u>700</u>	<u>(200)</u>
<b>Total Income</b>	<b>202,500</b>	<b>168,700</b>	<b>33,800</b>
<b>Expenses</b>			
Salaries	68,250	45,000	23,250
Utilities	5,800	4,500	1,300
Rent	23,000	23,000	0
Office Supplies	2,250	3,000	(750)
Insurance	3,900	3,900	0
Advertising	8,650	9,000	(350)
Telephone	2,700	2,300	400
Travel and Entertainment	2,550	2,000	550
Dues & Subscriptions	1,100	1,000	100
Interest Paid	2,140	2,500	(360)
Repairs & Maintenance	1,250	1,000	250
Taxes & Licenses	11,700	10,000	1,700
<b>Total Expenses</b>	<b>133,290</b>	<b>106,850</b>	<b>26,440</b>
<b>Net Income</b>	<b>\$69,210</b>	<b>\$61,850</b>	<b>\$7,360</b>

# Sales budget format for Individual Products

## Product A

Category	Actual	Budget Difference	
<b>Inflows</b>			
Net Sales	385,400	300,000	85,400
Cost of Goods			
Merchandise Inventory, January 1	160,000	160,000	0
Purchases	120,000	90,000	30,000
Freight Charges	<u>2,500</u>	<u>2,000</u>	<u>500</u>
Total Merchandise Handled	282,500	252,000	30,500
Less Inventory, December 31	<u>100,000</u>	<u>120,000</u>	<u>(20,000)</u>
Cost of Goods Sold	<u>182,500</u>	<u>132,000</u>	<u>50,500</u>
Gross Profit	202,900	168,000	34,900
Interest Income	<u>500</u>	<u>700</u>	<u>(200)</u>
<b>Total Income</b>	<b>202,500</b>	<b>168,700</b>	<b>33,800</b>
<b>Expenses</b>			
Salaries	68,250	45,000	23,250
Utilities	5,800	4,500	1,300
Rent	23,000	23,000	0
Office Supplies	2,250	3,000	(750)
Insurance	3,900	3,900	0
Advertising	8,650	9,000	(350)
Telephone	2,700	2,300	400
Travel and Entertainment	2,550	2,000	550
Dues & Subscriptions	1,100	1,000	100
Interest Paid	2,140	2,500	(360)
Repairs & Maintenance	1,250	1,000	250
Taxes & Licenses	11,700	10,000	1,700
<b>Total Expenses</b>	<b>133,290</b>	<b>106,850</b>	<b>26,440</b>
<b>Net Income</b>	<b>\$69,210</b>	<b>\$61,850</b>	<b>\$7,360</b>

## Product B

Category	Actual	Budget	Difference
<b>Inflows</b>			
Net Sales	385,400	300,000	85,400
Cost of Goods			
Merchandise Inventory, January 1	160,000	160,000	0
Purchases	120,000	90,000	30,000
Freight Charges	<u>2,500</u>	<u>2,000</u>	<u>500</u>
Total Merchandise Handled	282,500	252,000	30,500
Less Inventory, December 31	<u>100,000</u>	<u>120,000</u>	<u>(20,000)</u>
Cost of Goods Sold	<u>182,500</u>	<u>132,000</u>	<u>50,500</u>
Gross Profit	202,900	168,000	34,900
Interest Income	<u>500</u>	<u>700</u>	<u>(200)</u>
<b>Total Income</b>	<b>202,500</b>	<b>168,700</b>	<b>33,800</b>
<b>Expenses</b>			
Salaries	68,250	45,000	23,250
Utilities	5,800	4,500	1,300
Rent	23,000	23,000	0
Office Supplies	2,250	3,000	(750)
Insurance	3,900	3,900	0
Advertising	8,650	9,000	(350)
Telephone	2,700	2,300	400
Travel and Entertainment	2,550	2,000	550
Dues & Subscriptions	1,100	1,000	100
Interest Paid	2,140	2,500	(360)
Repairs & Maintenance	1,250	1,000	250
Taxes & Licenses	11,700	10,000	1,700
<b>Total Expenses</b>	<b>133,290</b>	<b>106,850</b>	<b>26,440</b>
<b>Net Income</b>	<b>\$69,210</b>	<b>\$61,850</b>	<b>\$7,360</b>

# **Budgetary procedure : How to prepare Marketing budget for a company ???**

**Step 1 : Considering last year's budget is one better way of knowing what amount was allocated for expenditure and expenses.**

**Step 2 : Considering last year's Profit and Loss A/c and Balance sheet will give an idea the variance between budgeted figures and actual amount spent.**

**Step 3 : Collecting probable forecast's from territory level officers to Regional managers.**

**Step 4 : Collecting other related information like competitors, consumer preferences, channel members, any changes in government regulation etc.**

**Step 5 : What are the present organizational financial and other limitations**

# **Budgetary procedure : How to prepare Marketing budget for a company ???**

**Step 6 : What is this year's marketing strategy of the company.**

**Step 7 : What are the organizational short term and long term objectives.**

**Step 8 : Modeling a trade off between Step 7, 6, 5 and 4.**

**Step 9 : Deciding the budget figures.**

**Step 10 : Taking acceptance of Management of the company.**

**Zero based budgeting : In this Step 1 and 2 can be avoided. Budget can be prepared using steps 3 through 10.**

## Sales Forecasting

Simple Regression model

Multiple Regression model

Time series model  
First degree

Time series model  
n degrees

Jury model

## Sales budgeting

Why Sales budgeting

- Mechanism of control
- Instrument of planning

Compilation procedure  
Of sales budget

Methods of Budgeting

- Fixed
- Flexible

Selling the sales budget to top  
Management

