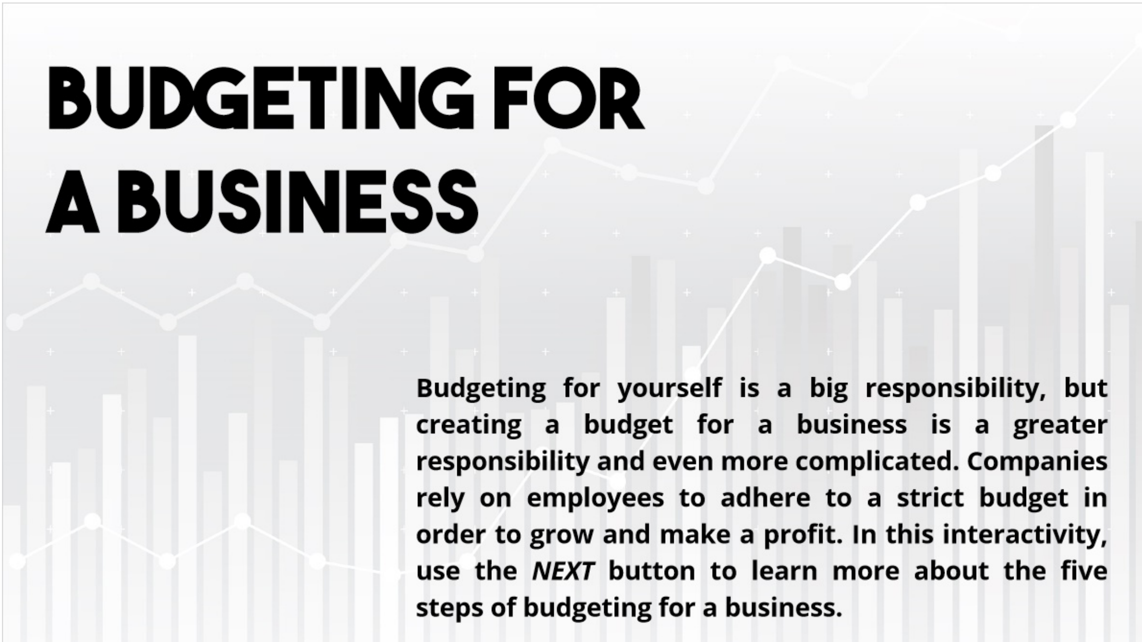
Middle School Career Investigations

Budgeting for a Business

Introduction



Budgeting for a Business

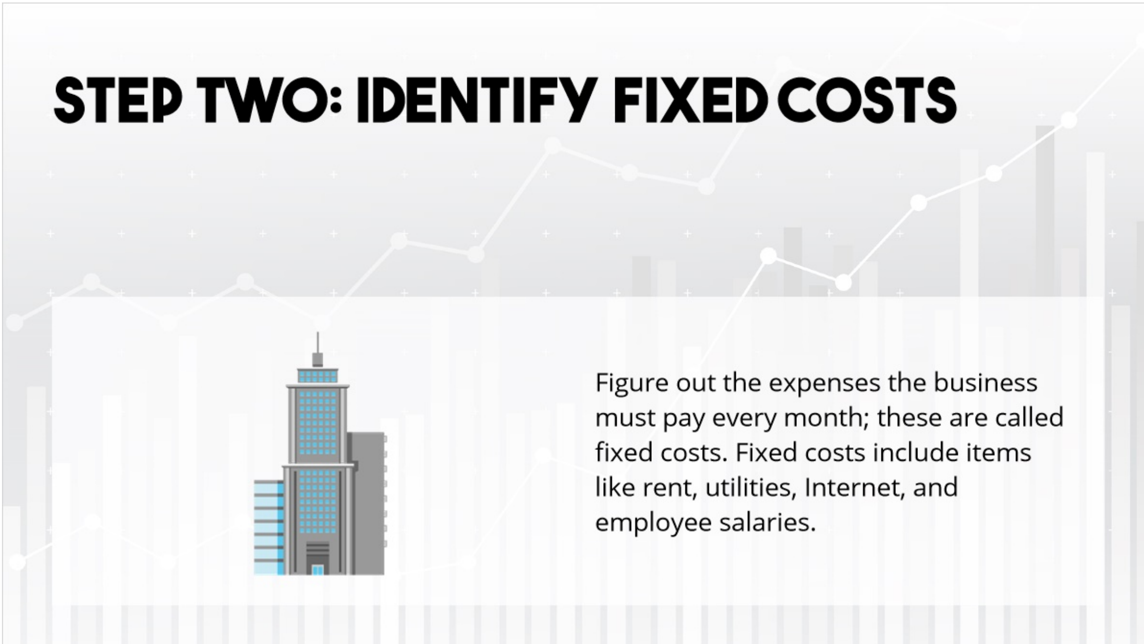
Budgeting for yourself is a big responsibility, but creating a budget for a business is a greater responsibility and even more complicated. Companies rely on employees to adhere to a strict budget in order to grow and make a profit. In this interactivity, use the ***NEXT*** button to learn more about the five steps of budgeting for a business.

Step 1

Step One: Add Up Any Income Sources

First, a company needs to determine how much money the business makes by adding up the income from monthly sales, plus any other ways money is brought into the company. Income sources include items like product sales, investments, and savings.

Step 2



Step Two: Identify Fixed Costs

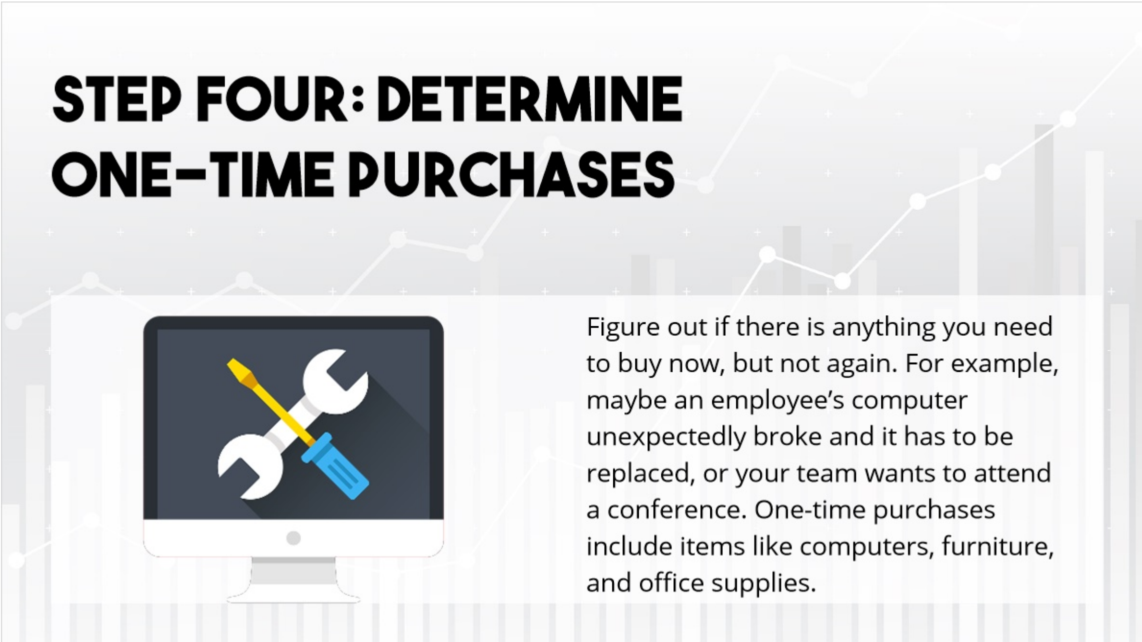
Figure out the expenses the business must pay every month; these are called fixed costs. Fixed costs include items like rent, utilities, Internet, and employee salaries.

Step 3

Step Three: Determine Variable Costs

Identify items that your business may need sometimes but not others, or variable costs. Depending on how well the company is doing determines whether you can purchase some of these items for the month. Variable costs include items like printing services, advertisements, and contractor salaries.

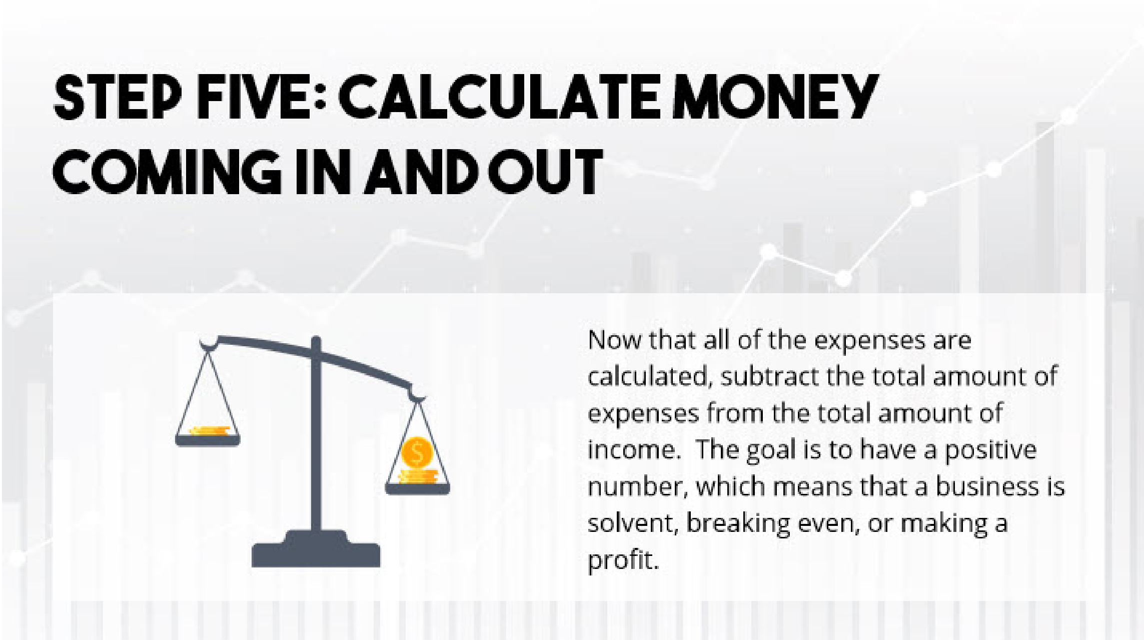
Step 4



Step Four: Determine One-Time Purchases

Figure out if there is anything you need to buy now, but not again. For example, maybe an employee's computer unexpectedly broke and it has to be replaced, or your team wants to attend a conference. One-time purchases include items like computers, furniture, and office supplies.

Step 5



Step Five: Calculate Money Coming In and Out

Now that all of the expenses are calculated, subtract the total amount of expenses from the total amount of income. The goal is to have a positive number, which means that a business is solvent, breaking even, or making a profit.