



Ebusiness 101, Part 5: Creating a Realistic Budget

Your first three years of business are critical to your success – or failure. Not only do start-up businesses have heavy one-time, up-front expenses, but they're also tight on cash and funding. So your first task is to create a realistic budget. This acts as your blueprint for success.

Your preliminary budget outlines expected and conservative income figures. Start with broad expense categories like utilities and income, breaking these out into more detailed line items like Utilities: telephone, Utilities: gas, Income: paperbacks, Income: hardbacks, and so forth. Expenses are typically easier to project than income. But income grows more and more predictable as time goes by. For this reason, review and adjust your budget quarterly and annually based on new data. (We'll talk more about this in the final installment of this series).

Differentiate your one-time expenses (business license, legal fees, signage, sales literature, and so forth) from your ongoing expenses (leasing, utilities and insurance). Project figures out a full three years with growth dependent on market research or educated estimation. Add an extra 25 percent to all expenses to cover unforeseen or emergency events.

Survive on as little capital investment as possible during your first few years to ensure survival until you reach profitability. Buy and budget only those items necessary to generate revenue. Organize your budget into fixed and variable expenses. Your fixed costs are those which remain stagnant from month to month, including your building lease, utilities, advertising and insurance, while your variable expenses are typically dependent on sales, like commissions, inventory and shipping.

Avoid optional or unnecessary purchases. Nearly every penny you save goes into your pocket. So don't give in to temptation by spending \$1,000 on a new desk. Buy only what's necessary to generate revenue and allocate money toward items receiving the strongest ROI. You can always upgrade down the road once your businesses is better established and income is more predictable. The leaner your organization, the better. Stay tuned for Part Six: Finding Funding in this ten part series.

Article by Ramon Sanchez, Vasrue.com – Your information Portal, hundreds of articles at your finger tips!

Like this article? See more now at <http://articles.vasrue.com>.

Webmasters FREE Content, see <http://articles.vasrue.com>, today!

Copyright© 2006 Vasrue.com. All Rights Reserved
