



*Sigma Kappa
National Housing Corporation
Convention 2002
Building Your Budget*

 *Budget*

 *Revenue*

 *Expense*

 *Breakeven Point*

 *Budget Tools*



How and Why Budgets are Used

- Tool for managing an organization
- Tool for predicting performance and problem areas
- Guideline for monthly expenses
- Tool for monitoring past performance



Forces Affecting the Budgeting Process

- Utility costs (Natural gas, electricity, water)
- Other outside cost (municipal taxes, interest rates, fuel cost)
- Competitive pricing
- Inflation/recession/depression
- Labor cost



Elements of Creating an Effective Budget

- Structure of the Organization
- Reporting System



Structure of the Organization

- Communicating with officers of the board or business
- Communicating with managers
- Communicating with staff
- Communicating with like businesses/organizations providing services or products to you



Reporting System

- Chart of accounts
- Provide information in a timely and useful manner



Budget Definition

- Operating budget is an estimate of activity in a specific time period.
- Simply stated as “How much cash do you expect to bring in versus how much cash expected to go out.”



Benefits of Budgeting

- Establish short term goals
- Establish long term goals



Revenue

- What is revenue?
- What is Sigma Kappa House Corporation revenue?



Revenue Definition

Revenue represents the amount a business charges its customers for products sold or services performed.



Examples of Revenues

- Fees earned for performing services
- Income from selling merchandise
- Rent income for providing the use of property
- Interest income for lending money
- Gifts, donations, contributions and fund raising



Expense

- What is an Expense?
- What is Sigma Kappa House Corporation expense?



Expense Definition

Expense is the cost of doing business.



Examples of Expenses

- Wage/salary expense for labor performed
- Rent expense for the use of property
- Interest expense for the use of money
- Advertising expense for newspaper, radio, and direct mail



Types Of Expense/Cost

- Variable Cost
- Fixed Cost

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Variable Cost is the change in direct proportion to levels of activity

- Utilities that are based on usage
- Telephone long distance usage
- Household expense
- Wages for hourly employees
- Food and house supplies



Fixed Cost do not fluctuate as levels of activity vary but remain constant

- Rent
- Mortgage
- Insurance
- Property Taxes
- Wages for salaried employees



Break-even Method

A business needs to know what volume of activity is required to meet all expenses over and above the cost directly associated with the product or service activity.

In other words, how many dollars of sales are needed to meet fixed business costs?



Breakeven Point :

Total variable and fixed costs matches sales dollar.

Breakeven Calculations:

Net Sales = Variable Costs + Fixed Costs



Budget Tools

- Annual Schedule of Charges and Budget Form
- Computerized Annual Budget Template

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Summary

A great budget can only be effective if there is cooperation between all the parties involved in executing the budget.