

Budgeting

Session Objectives

- ▶ Understand and highlight important components of
 - ▶ Capital Expenses
 - ▶ Operational Expenses
- ▶ Learners acquire knowledge for simple budgeting:

Cost Budgeting

- ▶ **Creating a financial plan and budget using cost estimations.**
- ▶ A budget is a financial tool used to determine how funds are used.
- ▶ Cost budgeting is a type of budget that involves calculating the sum of all expected costs for a set period.

What you need to understand

- ▶ Capital Expenses (CAPEX): Long-term expenses of an organization
 - ▶ Assets: A resource that brings value to the organization and usually lasts for a year or longer
 - ▶ Motor vehicles
 - ▶ Human resource
 - ▶ Equipment & tools
- ▶ Operational Expenses (OPEX): Day-to-day expenses of an expense
 - ▶ Salaries
 - ▶ rent, utilities/bills,
 - ▶ property taxes
- ▶ Examples in your CNs:

Cost Budgeting

To understand opex, you need to know what cost is associated with capex and record all the expenses in a detailed transaction list or ledger

To understand this, let us look at an example of a motor vehicle. A motor vehicle is an asset, so - a capital expense.

To effectively use it, identify all costs that come with it: fuel, driver, repair & maintenance, depreciation, etc

Recording this information in a detailed list will help determine/estimate how much cost goes into this asset. This data can be used to project the total amount of money needed to run the motor vehicle. This type of budgeting is called cost budgeting.

Where should an organization start?

- ▶ Refer to the org's expenses over a period of time.
- ▶ Start recording your organization's expenses and income if your org has not been tracking them.
- ▶ Use the already retrievable/available information. For example, the organization may already know what amount goes to the organization's payroll

Payroll
Country Director
Program Development Officer
Program Manager
Operations Manager
Procurement Officer
HR & Admin Manager
Finance Manager
Grants Manager

Where should an organization start?

Continued

Main Office Spending
Fundraising Expense
Bank fees
Business fees
Online services
Administrative (postage, printing etc.)
Website development
Organization admin assistant

Expense recording

