

BUDGETING IN A SMALL BUSINESS AS THE KEY TO SUCCESS

The theme of budgeting in a small business is very important nowadays, because every manager, who works for a big company, knows what it is and makes different types of budget, but not every proprietor of a small business knows what budgeting is. They believe that the budgeting and planning are a waste of time, because they must expand their business and focus on more important things.

But they are wrong, because it is the budget that helps save money and increase capital. For established small businesses, a budget can be used to take the pulse of the business and help identify possible future investments. Budgets can also be instruments in attracting investors, convincing banks that the business is good, or bringing on new partners or customers [2].

On the whole, budgets usually represent a detailed plan of how a company expects to spend money in future periods. Most companies make budgets on an annual basis that helps them to save resources [1]. There are many types of budget, such as: sales budget, direct labor budget, finished goods budget, manufacturing budget, selling and administrative expense budget etc. A variety of budgets depend on the specifics of the enterprise and accounting documents on which they are formed. And since the accounting for small businesses is very different from accounting of the big firms, the budgeting for these companies has its own special principles given in Table 1.

Table 1.

Fundamental principles of small business budgeting [3]

#	Principle	Explanation
1	Periodicity	The budget should be made at least once a year for the next calendar year.
2	Conformity	The budget should coincide with or be a fraction of the financial year, but always so that it ends with the closing of the accounting records for the year.
3	Planned character	The budget is the determinant of a plan.
4	Effectiveness	Every budget in a small business should show a profit.
5	Systematicness	The budget is an important part of management, it is a plan of financing and activities, and one cannot forget the budget.
6	Control	The managers need to monitor the implementation of the budget and adjust it if necessary.
7	Accounting confirmation	You cannot create a good and useful budget without responsible financial management in the company, and without accounting documents.

Compliance with all these principles ensures the effectiveness of the budget and as a result a high company profits.

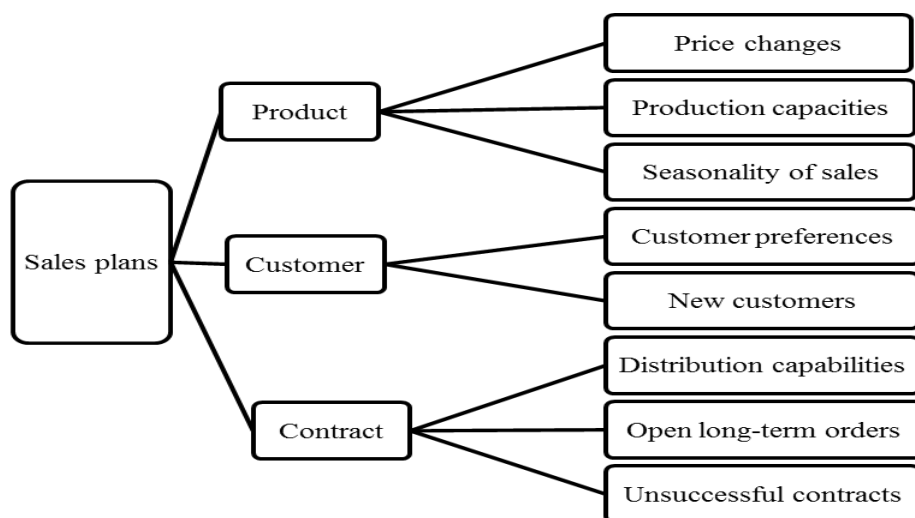
Usually small businesses do not exercise large amounts of economic activity and have simplified accounting. That is why it is impractical to develop many different

budgets. The most effective way out in this situation is to develop only sales budget.

The sales budget contains an itemization of a company's sales expectations, price and expected revenue from the sale of each product (goods and services) for the budget period. It is quite difficult to derive a sales forecast that proves to be accurate for any period of time, so an alternative is to periodically adjust the sales budget with revised estimates, perhaps on a quarterly basis. The budget should consist of two parts: sales plan and cost statement [3]. Sales forecasts can be based on three types of information:

- What customers say about their intentions to continue to buy products;
- What kinds of customers are actually on the market;
- What customers have done in the past in the market.

Sales plans can be made in several ways, it does not have the typical form and may be made in any form, some of which are shown in Picture 1.



P
ictur
e1.
Diff
erent
type
s of
sales
budg
et
for
small
1

businesses

In the conclusion we can say that budgeting for small businesses is the key to success, because it makes the company more stable and resilient to market changes. Budget planning will allow the company to grow continuously and to take market leadership in the future.

REFERENCES

1. Базарова Х. В. Необхідність упровадження системи бюджетування на малих та середніх підприємствах / Х. В. Базарова // Управління розвитком. - 2013. - № 17. - С. 63-65. - Режим доступу: http://nbuv.gov.ua/UJRN/Uproz_2013_17_25
2. Sales Budget Example [Електронний ресурс] // AccountingTools.– 2016.– Режим доступу до ресурсу: <http://www.accountingtools.com/sales-budget>.
3. Budżetowanie w małej firmie [Електронний ресурс] // blog katarzyny Koiczewskiej. – 2015. – Режим доступу до ресурсу: <https://kolczewska.pl/budzetowanie-w-malej-firmie/>