



**Presenter**  
**Paul Barnaby CA**

# Prepare Proper 3 Way Budgets in under 60 minutes

## A Covid-19 Case Study



|     | A | C | D | E | F | G | H | L | M | N | O | P | Q | R | S | T |
|-----|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 5   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 6   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 7   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 8   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 9   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 13  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 17  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 18  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 19  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 24  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 28  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 33  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 37  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 38  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 39  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 40  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 41  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 42  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 69  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 96  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 112 |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 113 |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 114 |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 115 |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 116 |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 117 |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 118 |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 119 |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 120 |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 121 |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |

  

|                                    | YTD May Budget   | YTD May Actual   | Variance         | Var %        |
|------------------------------------|------------------|------------------|------------------|--------------|
| <b>Revenue</b>                     |                  |                  |                  |              |
| Philadelphia Sales                 | 2,641,752        | 2,495,285        | (146,467)        | -5.5%        |
| Wilkes Barre Sales                 | 311,778          | 312,016          | 238              | 0.1%         |
| <b>Total Revenue</b>               | <b>2,953,530</b> | <b>2,807,301</b> | <b>(146,229)</b> | <b>-5.0%</b> |
| <b>Cost of Sales</b>               |                  |                  |                  |              |
| Direct Cost Philadelphia           | 973,130          | 882,657          | 90,473           | 9.3%         |
| Direct Cost Wilkes Barre           | 100,372          | 91,042           | 9,330            | 9.3%         |
| Other Cost Philadelphia            | (43,973)         | (40,731)         | (3,242)          | 7.4%         |
| Other Cost Wilkes Barre            | 2,601            | 4,074            | (1,473)          | -56.6%       |
| <b>Total Cost of Sales</b>         | <b>1,032,130</b> | <b>937,042</b>   | <b>95,088</b>    | <b>9.2%</b>  |
| <b>Gross Profit</b>                | <b>1,921,400</b> | <b>1,870,259</b> | <b>(51,141)</b>  | <b>-2.7%</b> |
| <b>Operating Expenses</b>          |                  |                  |                  |              |
| Philadelphia Expense               | 881,957          | 834,952          | 47,005           | 5.3%         |
| Wilkes Barre Expense               | 299,461          | 285,587          | 13,874           | 4.6%         |
| Other Expense                      | 469,153          | 458,001          | 11,152           | 2.4%         |
| <b>Total Operating Expenses</b>    | <b>1,650,571</b> | <b>1,578,540</b> | <b>72,031</b>    | <b>4.4%</b>  |
| <b>Income from Operations</b>      | <b>270,829</b>   | <b>291,719</b>   | <b>20,890</b>    | <b>7.7%</b>  |
| <b>Other Income(Expense)</b>       |                  |                  |                  |              |
| Interest expense                   | (17,516)         | (6,473)          | (11,043)         | 63.0%        |
| <b>Total Other Income(Expense)</b> | <b>(17,516)</b>  | <b>(6,473)</b>   | <b>(11,043)</b>  | <b>63.0%</b> |
| <b>Net Income(Loss)</b>            | <b>253,313</b>   | <b>285,246</b>   | <b>31,933</b>    | <b>12.6%</b> |

  

**Budget vs Actual**

The bar chart shows the following values:

- Budget:** 253,313
- Actual:** 285,246
- Net Income(Loss):** 31,933



## About Paul Barnaby

- Chartered Accountant
- 16 Years managing partner 2<sup>nd</sup> tier firm
- Now consults and implements for clients in **Predictive Accounting, Financial Analysis and Strategic Planning Budgeting and Forecasting**
- CEO Beyond Accounting Technologies P/L
- Regional Integration Consultant Asia Pacific PlanGuru
- Consulted to, supported and trained, hundred's of CFO's accountants and business executives

*“ I help accountants and CFO's look like Superstars!!!”*



## **Covid-19 Business Downturn?**

### ***The Need for Strategic Plans and Budgets***

***If you fail to plan, you plan to fail***

- **If you know the impact of Covid-19 on a business, you can plan to avoid or manage that impact.**
- **Federal and State Government Assistance packages may force you to quantify that impact in order to make application for assistance**
- **If the Big 4 Banks are involved (eg Govt supported loans) you will need to supply a Business Plan, including Budgets**
- **Just an estimate of Revenue and Cost will not suffice, full Predictive Financial Statements including Cash Flow, will need to be prepared**



## ***So You Need A Budget, What Do You Do?***

***Reach for Excel , right?***

***WRONG!***

- **Excel is a great tool, but not built for budgeting**
- **International expert Prof Ray Panko published research shows – 91% undiscovered error rate.**
- **Excel budgets take 10 times as long to prepare – so why would you?**
- **So what to do?**



## ***KEY ASPECTS OF SUCCESSFUL BUDGETS***

- **Must be 3 Way – P and L, Balance Sheet, Cash Flow**
- **Start with known data ie Historical Results**
- **Must be Driver Based – not last year plus or minus**
- **Must allow Budget Actual AND Forecast**
- **Variance Reporting a MUST**
- **Other Reporting must be flexible and user configurable**



## ***Data available on Restaurant Case Study***

- **Results to end March 2020**
- **Profit marginal, before restrictions**
- **Statistics on Restaurant Meals and Takeaways**
- **Details of Food and Labour Costs**
- **They qualify for Jobkeeper and Cashflow assistance**
- **Existing ATO debt**
- **Bank Overdraft**



## Possible Strategies

- Release casual staff
  - Apply for Govt Assistance
  - Strategise easing of restrictions
  - Plan for ATO debt reduction and Cash surplus
  - Restore profitability
- 
- So let's look at the budget!





# ***Prepare Proper 3 Way Budgets in under 60 minutes***

**Thanks so much for attending**

**Other questions or comments to  
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