**FINANCIAL PLANNING/COST ESTIMATION AND BUDGETING**

1. How much finances do you need?
* Cost estimating is defined as the process of determining the probable cost of the product before manufacturing starts.
* You need to estimate or approximate how much money you need in your business.
* Cost estimation helps you find out the cost of manufacturing/ production operations and to assist in setting the price for the product.
* You need to consider all the costs involved such as production costs, labor, material, marketing, administration etc.

**Why cost estimation?**

* To establish the selling price of a product to ensure reasonable profit to the business
* To determine the most economical process
* To make/ buy decision
* To evaluate the alternate designs
* To prepare production budget
1. What do you need this money for?
* Start-up capital
* Capital expenditure (fixed asset) budget
* Working capital

**Start-up capital**

* Money needed to create or start a business
* Used to buy business assets and daily operations for at least 6 months
* Include property, equipment, stock, rent, salaries etc.

 **Working capital**

* Money used to operate a business on a daily, weekly or monthly basis.
* Credit suppliers
* Stock/inventory
* Credit customers
* cash

**BUDGETING**

* It’s a business plan expressed in money
* Financial plan showing income and expenses

**Why budgeting is important?**

* Gives you control over your money
* Keeps you focused on your money goals
* Makes you aware of what is going on with your money
* Helps you organize your spending and savings
* Enables you to save for expected and unexpected costs
* Helps you determine if you can take debt and how much
* Enables you to produce extra money

**Income**

* Money that comes in the business
* Earned through a sale of a product or service
* List all your business income

**Expenses**

* Money spent while running he business
* List all your business expenses

**FORMAT OF A BUSINESS BUDGET**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Items**  | **Description of Unit** | **Unit**  | **Unit price/cost** | **Amount (UGX)** |
| **Revenue** |  |  |  |  |
| Sale of Broiler | Birds  |  |  |  |
| Total revenue |  |  |  |  |
| Cost of day old chicks |  |  |  |  |
| Broilers | Day old chicks |  |  |  |
| Gross profit |  |  |  |  |
| **Expenses** |  |  |  |  |
| Variable costs |  |  |  |  |
| Feeds  |  |  |  |  |
| Total variable costs |  |  |  |  |
| Fixed costs |  |  |  |  |
| Electricity | Monthly charges |  |  |  |
| Total fixed costs |  |  |  |  |
| Total cost |  |  |  |  |
| Surplus/deficit (profit/loss) |  |  |  |  |