

# Your Back of the Napkin Business Budget



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When it comes to running our businesses, finances must take centre stage, even if we're not a numbers wiz.

Being clear on your projected income and expenses allows you to make critical business decisions like when to hire, how much (and when) to spend on marketing or outsourcing, when to invest in new systems or when to pay yourself more.

A simple way to think about your finances is like a scoreboard.

You're the Coach. You've done the training, the strategy is well thought through, and you (and your team, if you have one) are ready to play.

You've given thought to the outcome (your budget becoming a reality) and know that if you play well this season (Financial Year), you will achieve the desired results and reach that finish line successfully.

This BACK-OF-NAPKIN BUSINESS BUDGET simplifies your financial projections for the new financial year. This model is an outline of three key things:

1. **Your Income** - money flowing inward
2. **Your Expenses** - money flowing outward
3. **Your Profit** (or Loss)

## Let's take a closer look at these three elements...

### 1. Your Income or Revenue

In this part of your budget we 'predict' our income for the year. For the **Back of the Napkin Business Budget**, we're keeping these numbers simple.

An excellent place to start is by listing all your projected income sources for the year. What promotions will you run? What income could you achieve from each? What products and services do you hope to sell? How many of them? And when?

Alongside each income source, estimate the dollar value of sales for the coming 12 months - July 2021 to June 2022.

If you have history selling any of these products or services, then use that history as a guide to give you a good sense of your likely performance.

If you're making projections for a brand new product or service, then give it your best estimate based on your experience and what you know about the demand for your product or service.

Once you've added these numbers into your budget, you should have a single revenue goal for the coming financial year.

*(There is an excellent argument for doing a month-by-month Budget. But for this exercise - we're keeping things very simple.)*

## 2. Your Expenses

This is where you 'predict' your expenditure for the financial year. For the *Back of the Napkin Business Budget*, we include all 'outgoing' money flows. If you know what a 'cost of sale/good' is, include these in this part of the exercise.

An excellent place to start is with the last 12 months expenditure and costs.

What did you spend last year running your business?

Generally, expenses group into broader categories like:

- **People** - salaries, contractors, superannuation etc
- **Marketing** - advertising, copywriting, design etc
- **Technology** - internet, phones, software, hardware etc
- **Finance** - bookkeeping, accounting, fees etc
- **Operational** - car, office, supplies, stationery, travel, electricity etc
- **Cost of Goods** - wholesale purchase of goods you resell.

At this point, we want to estimate our expenditure in each of these areas for the coming financial year, July 2021 to June 2022.

**Note:** If you have not allowed a Salary for yourself under 'People', be sure to do so.

We want to get the discipline in place now for paying ourselves and not developing a habit of taking what's leftover.

## 3. Your Profit (or Loss)

The result of your **Back of the Napkin Business Budget** is the 'projected' Profit or Loss for the Financial Year.

This is our 'End of Season' Score - on our business scoreboard. And, of course, the ideal outcome is that your figures will show a Profit this next year. If your projections a Loss, then there are two simple choices:

**Choice One** - increase your income

**Choice Two** - decrease your expenses

*(In some cases, you might be comfortable with a loss in a given Financial Year because you are investing for a new growth phase. But of course, you can only sustain a loss for as long as there is capital to invest and cash flow available to keep the business operating.)*

## The Goal of Your Back of the Napkin Business Budget Is Clarity!

When you simplify your business finances, you get clarity. When you have clarity around money, you remove the chance of nasty surprises and unwanted stress.

Success in business from a financial perspective is simple. For our business to survive, we need to bring in more revenue than we spend or expense.

The **Back of the Napkin Business Budget** illustrates this, simply, clearly and quickly.

Now it's time to create your budget.

### Back of the Napkin Business Budget Example for 2022 / 2023 Financial Year

INCOME	AMOUNT
<ul style="list-style-type: none"><li>• Product Or Service 1</li><li>• Product Or Service 2</li><li>• Service Or Service 3</li><li>• Service Or Service 4</li><li>• etc.</li></ul>	<ul style="list-style-type: none"><li>\$15,000</li><li>\$37,500</li><li>\$95,000</li><li>\$145,000</li></ul>
<b>TOTAL PROJECTED INCOME</b>	<b>\$292,500</b>
EXPENSES	AMOUNT
<ul style="list-style-type: none"><li>• People related</li><li>• Marketing</li><li>• Technology</li><li>• Finance</li><li>• Operational</li><li>• Cost of Goods</li><li>• etc.</li></ul>	<ul style="list-style-type: none"><li>\$165,000</li><li>\$35,000</li><li>\$15,000</li><li>\$5,000</li><li>\$12,500</li><li>\$3,000</li></ul>
<b>TOTAL PROJECTED EXPENSES</b>	<b>\$235,500</b>
<b>PROJECTED PROFIT</b> ( <i>Income - Expenses</i> )	<b>\$57,000</b>

## *Back of the Napkin Business Budget* for 2022 / 2023 Financial Year

Name \_\_\_\_\_

INCOME	AMOUNT
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
<b>TOTAL INCOME</b>	\$
EXPENSES	AMOUNT
People	\$
Marketing	\$
Technology	\$
Finance	\$
Operational	\$
Cost of Goods	\$
Other	\$
Other	\$
<b>TOTAL PROJECTED EXPENSES</b>	\$
<b>PROJECTED PROFIT</b> ( <i>Income - Expenses</i> )	\$

# Your Back of the Napkin Business Budget

If you've completed the Back of the Napkin Business Budget and you're ready to take your Financial Year Budget to the next level, check out the Know Your Numbers Masterclass.

Get instant access to the **Know Your Numbers Budget Template and Masterclass.**



**WATCH THE MASTERCLASS**

Income	Total	July	August	September	October	November	December	January	February	March	April	May	June
Sales (Source 1)	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
Sales (Source 2)	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
<b>Total Income</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>
<b>Cost of Sale (Goods or Service)</b>													
Purchases 1	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
Purchases 2	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
<b>Total Cost of Sale</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>
<b>Gross Income (Gross Profit)</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>
<b>Expenses (Operating Expenses)</b>													
Advertising	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
Bank Fees	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
Cleaning	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
Consulting & Accounting	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
Entertainment	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
Freight & Courier	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
General Expenses	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
Legal expenses	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
Electricity	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
Motor Vehicle Expenses	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
Office Expenses	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
Printing & Stationery	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
Rent	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
Subscriptions	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
Telephone & Internet	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
Travel	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
Wages and Salaries	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00	US\$0.00
<b>Total Expenses</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>
<b>Net Income (Profit)</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>	<b>US\$0.00</b>

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