

Making a Budget
A Self Study Guide for Members and Staff of Agricultural Cooperatives

SUMMARY

➤ **CHECKLIST 1 - ESTIMATE THE SALES**

1. Check the sales of produce and supplies for the present and the previous years.
2. What changes will take place next year? Adjust the figures with regard to known changes in membership and production.
3. Adjust the sales figure to allow for the expected general price increase.
4. You now have a figure for the expected sales of produce and supplies for next year.
5. Calculate your commission or gross surplus on the expected sales.

A WARNING: Do not overestimate the sales. If you do, and then fail to reach the estimated sales figure, your gross surplus will be lower than expected and you may run into problems.

➤ **CHECKLIST 2 - ESTIMATE THE RUNNING COSTS**

1. Estimate wages and other staff costs:
 - Present wages
 - + Expected increases
 - + Other staff costs
 - = Total staff costs next year
2. Estimate building and equipment costs:
 - Rent or depreciation cost of buildings
 - + Depreciation cost of equipment
 - + Maintenance and repairs
 - + Purchase of new equipment lasting less than 5 years
 - = Total building and equipment costs next year
3. Estimate all other costs:

Make a detailed list of all other cost items during the current and previous year, consider what changes are likely to occur, and prepare a list of expected costs for next year.

A WARNING: Do not underestimate the costs. If you do, and then fail to keep the costs below the estimated level, you may not achieve a net surplus.

➤ **CHECK LIST 3 - FOLLOW UP THE ESTIMATES**

1. Prepare a monthly cash budget.
2. At the end of each month, compare the actual figures for sales and costs with the estimated ones. Note any differences.
3. Investigate the reasons for the difference.
4. Judge whether the difference is likely to affect the result for the whole year.
5. Take action immediately if a difference is likely to lower the expected net surplus for the year.