

7 Tips For Managing Project Budgets Successfully



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Managing a project budget is no small feat. From keeping track of countless invoices and expenses to ensuring that you don't overspend, a lot goes into it.

However, there are some things that you can do to make the process a whole lot easier.

Here are seven tips for managing project budgets successfully.

1. **Start with a Realistic Project Budget**

What is a Project Budget?

A project budget is a tool that project managers use to control costs and track spending throughout the life of their project. A well-crafted budget will help you stay on track and avoid going over budget.

To create a good budget, you will need to have a clear understanding of your project's costs, which can be divided into three categories: direct costs, indirect costs, and contingency costs.

Direct costs, such as materials, labor, and travel, are directly related to the project. Indirect costs are more general expenses that are not specific to the project but are necessary for its execution, such as overhead, insurance, and rent. Contingency costs are funds set aside in case of unforeseen circumstances, such as cost overruns or delays.

Creating Your Budget

Estimate your direct costs by breaking your project into smaller tasks and assigning cost estimates to each task. Once you have an estimate for each task, you can add them to get an estimate for your total direct costs.

You must consult your financial team to calculate indirect and contingency costs. They will help you determine your project's appropriate indirect and contingency costs. Once you have your cost estimates, you can begin putting together your budget for the entire project and come up with a final budget estimate.

There are a few different ways to format your budget, but one of the most common is the top-down method. With this method, you start with your total estimated cost and then break it down into smaller categories for each expense type. This can help give you an overview of where your money is going and identify any potential areas where you may be able to save money.

Other methods of budget planning include bottom up, analogous estimating, and parametric estimating. No matter which methodology you use, the budgeting process must include as many expected costs, as

accurately as possible to ensure project success.

Once you have created your initial budget, it is important to revisit it regularly and adjust based on changes in scope or unforeseen circumstances. By doing this, you can ensure that your budget remains accurate and realistic throughout the life of your project.

2. **Keep Detailed Records**

One of the most important things you can do when managing a project budget is to keep detailed records. This includes invoices and receipts to track your spending in each category. Doing so will not only help you stay on top of your finances, but it will also make it easier to spot any potential problem areas.

Keeping detailed records sounds like a lot of work, but it's quite simple.

- Make sure you have a central place to store all project documents. This could be a physical filing cabinet or an electronic folder on your computer. If you're working with a team, it's also important to have a shared storage space where everyone can access the necessary documents.
- Create a template for each type of document you'll need to create. This will save you time in the long run by ensuring that all the information you need is included in each document.
- Keep track of deadlines and deliverables in a shared calendar. This way, everyone on the team knows what needs to be done and when it needs to be done.
- Assign tasks to team members and track their progress. This will help you identify bottlenecks and ensure that everyone is pulling their weight.

Clear and consistent communication is essential for any team to function properly. By keeping detailed records, you can ensure everyone is on the same page and working towards the same goal.

Detailed records give you a clear overview of your project, which allows you to make better decisions about where to allocate resources and how to proceed with the project.

Working on a project can be stressful, and it's not uncommon for disagreements to arise between team members. You can avoid misunderstandings and resolve conflicts quickly and efficiently by keeping detailed records.

3. **Set a Limit for Each Category**

Set a limit for each category in your budget. This will help you stay on track and prevent overspending in any area. For example, you might want to set a limit of \$500 for travel expenses. Once you hit that limit, you'll know it's time to start cutting back.

Of course, there's no magic number when setting limits. The key is to find what works for you and stick to it, using past projects and forecasting as your guide. If you find that you're constantly going over your limits, then adjust accordingly.

The goal is to find a system that helps your project team stay organized and productive without being too restrictive.

The amount you set as a limit for each category will depend on several factors, including the project's size and scope, funding availability, and market conditions.

It's important to consult with your team and other stakeholders when setting these limits so that everyone is on the same page and knows what they need to do to stay within the budget.

It can also be helpful to create a contingency fund—an amount of money set aside in case something unexpected

happens or goes wrong. This contingency fund should not cover careless mistakes; rather, it should only be used for genuine emergencies.

4. **Use Software to Help You Track Your Progress**

There are plenty of great software options out there that can help you manage your project budget more effectively. Using one of these tools, you'll be able to track your progress and ensure that you're staying on track.

One of the benefits of using project management software is that it can help you save time. Rather than having to track your progress manually, the software will do it for you. This can free up your time to focus on more important tasks.

In addition, if you're working with a team, team members can use the software to collaborate and stay up-to-date on the project's progress.

• **Asana**

Asana is a great all-in-one project management tool that can be used for tasks such as tracking milestone progress, assigning tasks, and messaging teammates. Asana has a feature called "My Tasks," which allows users to see all the tasks they are responsible

for in one place.

This is a great way to quickly see what tasks need to be completed and track your progress. Asana also has a “Progress” view which shows users how their projects are progressing.

• **Trello**

Trello is another excellent project management tool that can be used for tracking progress. Trello has a “Progress” view which shows users the percentage of tasks completed for each project. This is a great way to overview your progress on multiple projects quickly.

Trello also allows users to create custom reports, which can be very useful for tracking specific metrics related to your project’s progress.

• **Smartsheet**

Smartsheet is a great tool for creating detailed reports about your project’s progress. Smartsheet allows users to create custom reports with various metrics and data points. This is a great way to track your progress over time and see how your project is doing concerning your

goals.

Smartsheet also has a “Gantt Chart” view which can be used to see the timelines of your projects and ensure that you are staying on track.

Using PLANERGY in conjunction with your project management tool and project plan can help you keep an eye on projected costs vs. actual costs and prevent scope creep and budget overrun.

QuickBooks Desktop for small and mid-sized businesses

QuickBooks Desktop is a flexible accounting software application designed for small to mid-sized businesses. While the desktop application cannot compete with custom-designed ERP applications, many larger businesses have continued to use QuickBooks Desktop applications for their bookkeeping and accounting needs.

QuickBooks Desktop was first introduced in 1998 and modeled after Intuit’s first financial application, Quicken, which provided personal accounting capability, but no double-entry accounting. When QuickBooks Pro was initially introduced it was aimed at the non-accountant small business owner looking for a way to do accounting other than an Excel spreadsheet. In 2000, additional features were added to the application, but it still lacked the specificity that many small business owners were looking for.

That all changed in 2003 when Intuit introduced the first industry-specific editions of QuickBooks, which have grown in popularity and are now available in several editions, including the professional services version, which we’ll talk about in this article.

What is QuickBooks Desktop Professional Services?

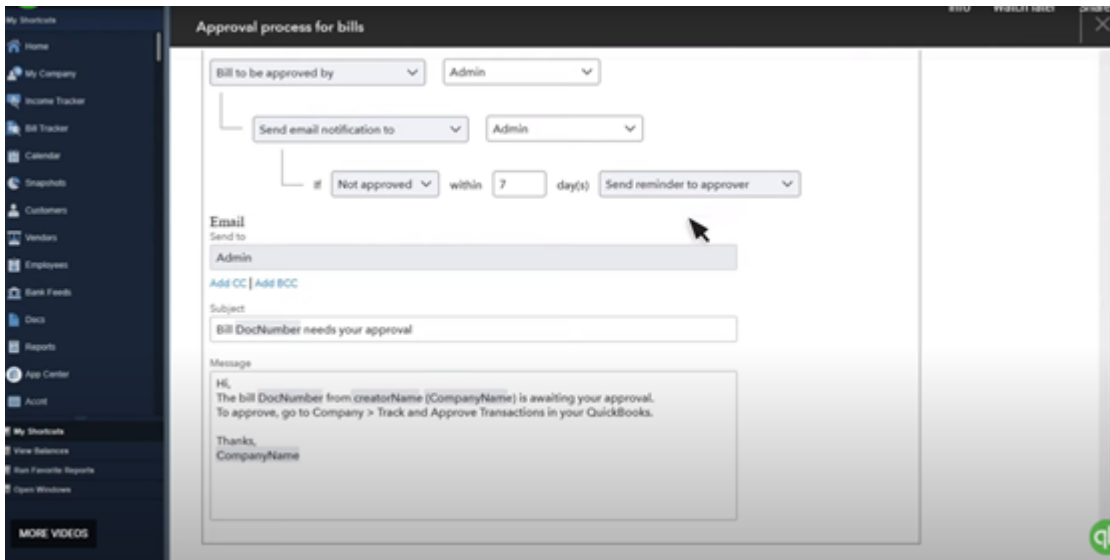
While all niche industries can make an argument for an application designed specifically for their business needs, the professional services industry offers several challenges that need to be appropriately addressed including solid time tracking capability, flexible billing rates, and the option to better track project data.

QuickBooks Desktop Professional Services does that and more. Designed for those providing services rather than selling products, the Professional Services edition is available in both the Premier and Enterprise versions of QuickBooks Desktop.

In this article, we'll take a look at QuickBooks Enterprise for Professional Services, which is designed for mid-sized businesses and can support up to forty system users. However, if your business has less than five QuickBooks users, you may want to consider using QuickBooks Premier Professional Services, a better option for smaller businesses.

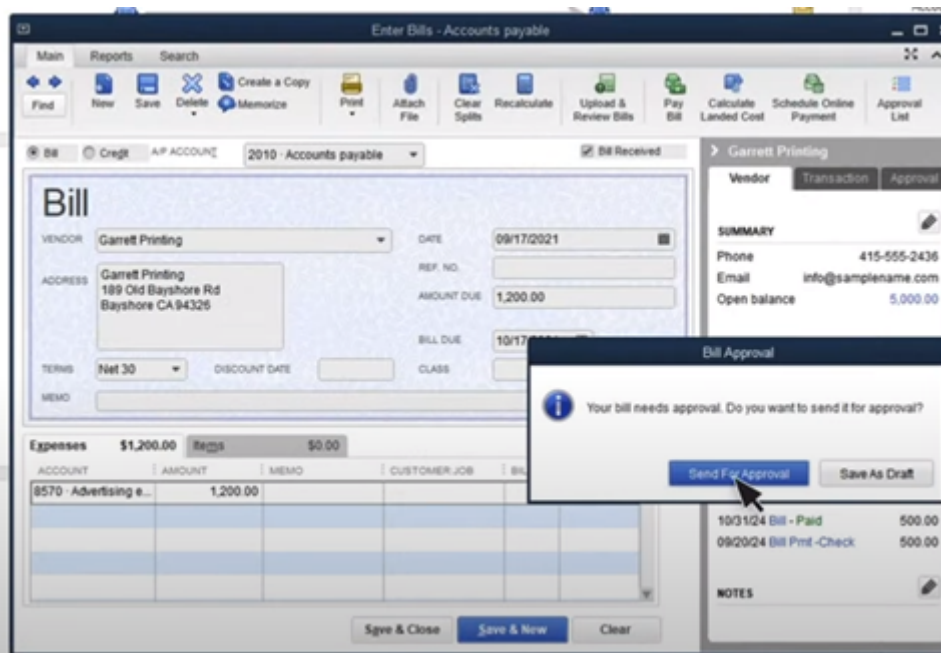
Today, QuickBooks Enterprise Professional Services is loaded with features, including all those found in regular QuickBooks Desktop applications, such as double-entry accounting, online banking, bill payment, and invoicing. But it also includes features and functionality designed specifically for service professionals. Here's a breakdown of some of the latest features.

* **Bill Workflow Approvals - (Platinum version)** Bill workflow approvals is a brand new feature that allows you to better manage your cash flow by creating customizable workflow approvals. This new feature also includes reminders when approval deadlines approach.



You can set up custom workflows with the new Bill Workflow Approvals feature.

You can choose the custom workflow to suit your business, and can even customize the email message that the assigned recipient will receive. You can also choose whether you wish to copy anyone on the email. Once a workflow process has been set up for a particular vendor, whenever you enter a bill for that vendor, you will receive a message that the bill needs approval.

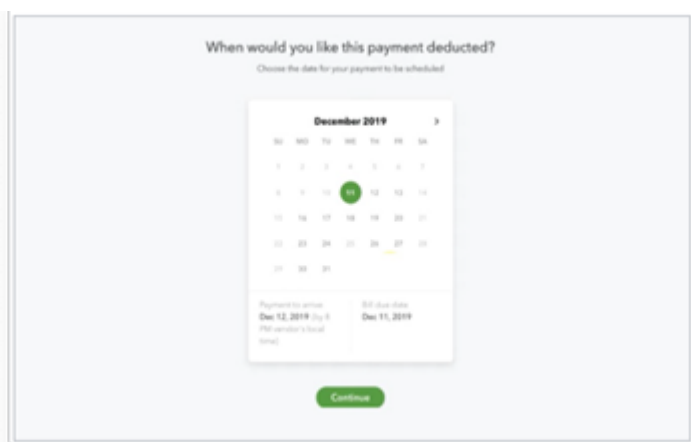


The Bill Approval option appears when a custom workflow has been set up for that vendor.

This message serves as a reminder that the bill has to be submitted for approval before processing.

*** Scheduling and Paying Bills** - Another new feature in QuickBooks Enterprise Professional Services is the option to schedule

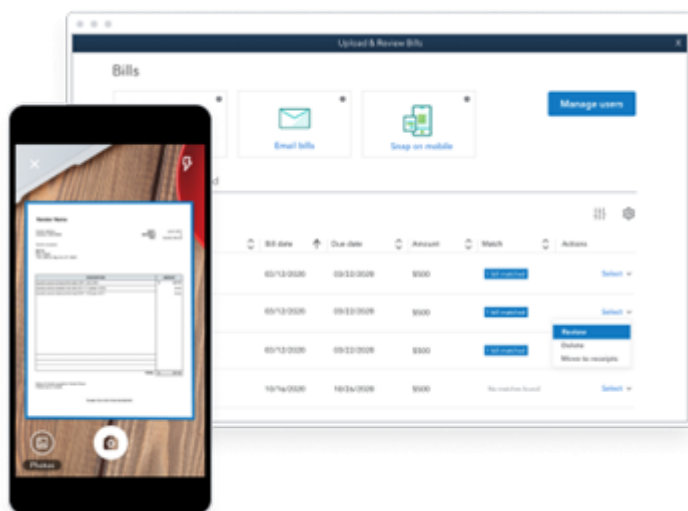
bills for payment. A particularly useful feature for smaller businesses with limited cash flow, using the billing scheduling and payment feature allows you to review any open balances, track sales orders, and plan in advance when to pay a bill.



The Scheduling and Bill Payment feature allows you to schedule bill payments.

When scheduling a payment, you have the option to choose the form of payment you wish to use including bank transfers or a physical check.

*** Upload Bills to QuickBooks** - Using the QuickBooks Desktop mobile app, you can now upload your bills directly into the application.

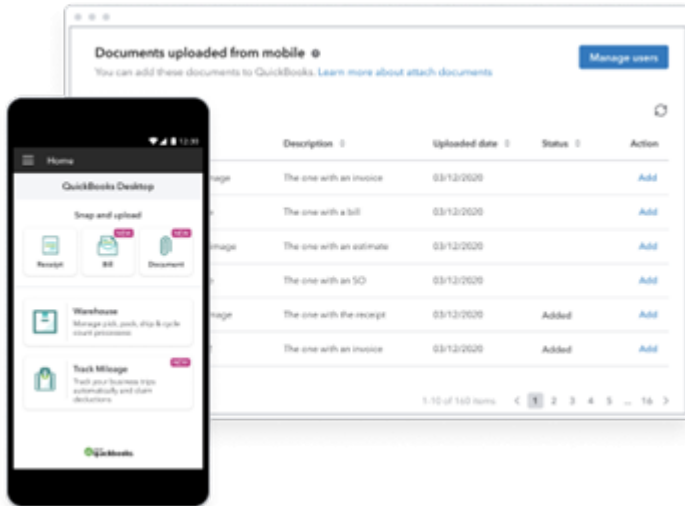


Using the QuickBooks Desktop Mobile App, you can easily upload bills.

All you have to do is snap a photo of the bill and click on the import feature. You'll be able to review the bill for accuracy before it posts into your account. Another benefit to using this feature is that you can have your vendors email their invoices directly to QuickBooks, where they will be available for you to review.

*** Attach Documents to Transactions** - Along with uploading invoices, you can

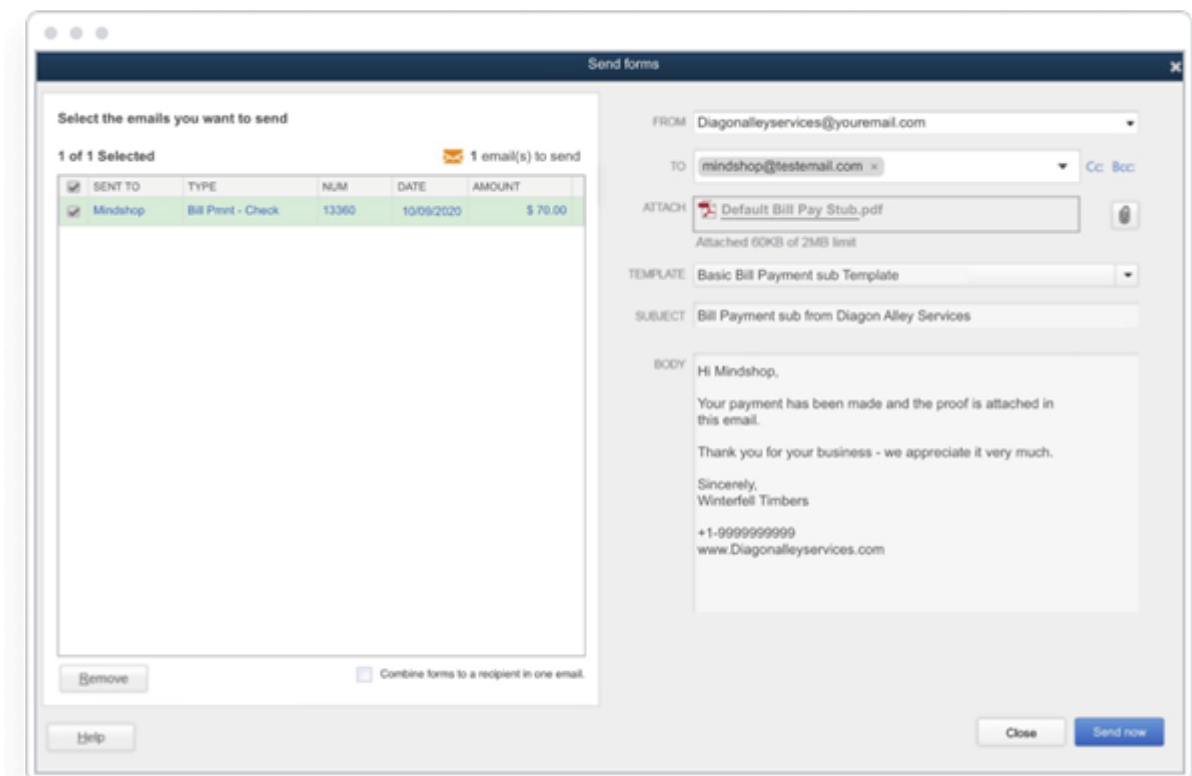
also attach documents to any transaction using the mobile app.



Use the QuickBooks Desktop Mobile App to attach documents to any transaction.

Doing so eliminates the need to store multiple documents on your system. You can also upload and attach multiple documents simultaneously if desired.

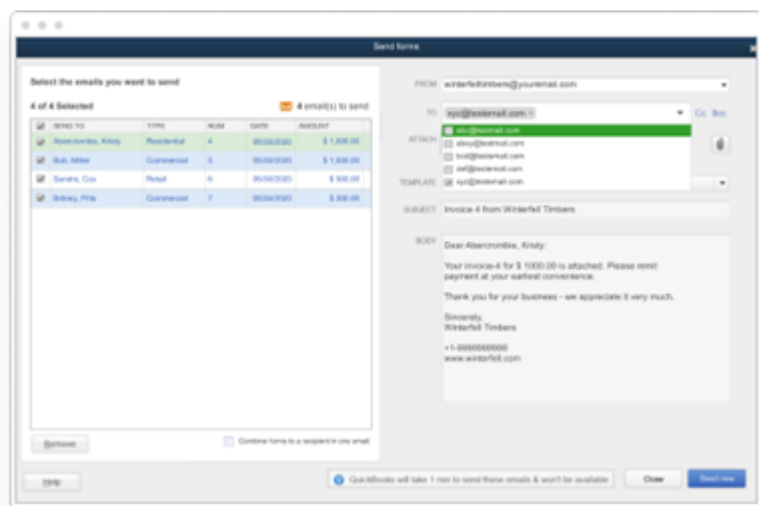
*** Customize Bill Payment Stubs** - Your vendors no longer have to wait for a paper check to receive a bill payment voucher. Using this feature, you can add your business logo and format the payment stub to suit your business.



You can now customize bill payment stubs for all of your vendors.

You can choose the vendors you wish from the dropdown list and create a custom email to send along with the bill payment stub.

*** Multiple Email Contacts** - Do you have a newsletter, targeted sale, or other information you wish to send to a select group of contacts? Using the multiple email contact feature, you can do just that.



The Email Contact List allows you to choose the recipients for a group email.

This is a great way to get custom messaging out to the appropriate recipients without having to manually enter each email address.

The professional services industry offers several challenges that need to be appropriately addressed including solid time tracking capability, flexible billing rates, and the option to better track project data.

Other features

Along with these new features, QuickBooks Enterprise Professional Services also offers numerous features designed for professional services businesses. These include:

Time Tracking with QuickBooks Time Elite (formerly TSheets Elite) - Time tracking is important for any business, but particularly so for service businesses who have to manage timesheets and bill their time accordingly.

Using QuickBooks Time Elite, professional services users can track time spent on any project. But even more important, the time can then be automatically rolled up into any subsequent project reports as well as into QuickBooks Payroll, eliminating the need to enter data twice.

This allows users to track their time from any location, whether it's from their home, the office, or the client's office.

Project Costing - It can be difficult to know if a client project is profitable if all of the project management components are not tracked properly. Not only can you easily track project cost projections in real-time using the job costing dashboard, but you can also track the actual expenses to see if you're on track for profitability or if cost adjustments are needed.

Best of all, QuickBooks Enterprise will automatically create client invoices based on data entered in the system, eliminating the need to bill clients separately.

Flexible Billing Rates - As a professional services firm, your billing rates likely change frequently, depending on the job completed, who completed it, and the level of difficulty in completing the job. That's why being able to assign different billing rates to your employees based on a variety of criteria is so important.

By setting custom billing rate levels, you can assign a rate for a particular level rather than by an employee. For example, at a CPA firm, partner billing rates would be assigned at a different level than entry-level employees.

Reporting - Good reporting options are available in all QuickBooks Desktop applications with the Enterprise edition of QuickBooks Desktop offering more than 200 reports that can be customized to suit your needs. Any customized report can be saved in the application as a template, so you can use the same reporting criteria in the future without having to set it up again.

Advanced Reporting - Advanced reporting allows Enterprise users to access raw data to create reports and graphs from scratch. In addition, the Professional Services edition of QuickBooks (and all niche editions) also offers bundled reports designed specifically for professional services businesses. These reports include:

- **Billed and Unbilled Hours** - This report can be

run by person or by project, and provides management with a good view of all billable hours as well as how long an employee has spent on a particular project.

- **Costs by Project** - Costs need to be looked at throughout the life of a project. Running the Costs by Project report allows you to see exactly how much you've spent to date, allowing you to make adjustments to your forecast mid-project when needed.
- **Project Costs Detail** - Still wondering exactly why your project has gone over budget? Run the Project Costs Detail report to see exactly how funds were spent.
- **Cost to Complete** - Not sure if you have enough in the budget to complete a project? Just run the Cost to Complete report, which displays both percentage complete and cost to complete, allowing you to make any adjustments before the job runs over budget.
- **Project Status** - One of the most important reports for management, the Project Status report provides a summary view of all projects in progress along with a guide that shows you whether the project is on track for on-time completion.

Payroll Processing - All QuickBooks Enterprise editions come with QuickBooks Enhanced Payroll, which allows you to pay both employees and contractors. Enhanced Payroll also includes both printed check capability as well as free direct deposit. For those that want additional help with payroll, a subscription to Assisted Payroll will take care of all payroll taxes including filing and payment.

QuickBooks Enterprise Professional Services also includes a custom chart of accounts, can monitor project progress, track unbilled time, and electronically invoice clients. Multi-level data permissions are available, so management can

establish permission levels for multiple groups of employees, ensuring confidentiality throughout the life of the project.

In addition, you can prepare custom proposals for potential business, accept mobile and credit card payments from your clients, and even integrate with Salesforce CRM for better client and sales management. For those that require integration with outside e-commerce channels, an optional e-commerce integration add-on is available that offers seamless integration with online stores and marketplaces.

Like all QuickBooks products, QuickBooks Enterprise Professional Services is designed to work on a Windows platform and is not currently available for Mac systems. Available as an annual subscription, Intuit offers three versions of Enterprise:

1. **Gold** - The Gold version of QuickBooks Enterprise includes Advanced Reporting, access to QuickBooks Priority Circle, and QuickBooks Enhanced Payroll. The Gold version supports up to 30 system users and starts at \$1,489.50 for the first year.
2. **Platinum** - The Platinum version includes all Gold level features as well as Advanced Inventory for tracking inventory items, Advanced Pricing, and Bill Workflow Approvals. The Platinum version supports up to 30 system users with a subscription starting at \$1,831.50 for the first year.
3. **Diamond** - The most advanced version of QuickBooks Enterprise, the Diamond version can support up to 40 users and includes advanced features such as QuickBooks Time Elite, and the Salesforce CRM Connector. Diamond subscribers also have access to QuickBooks Desktop Assisted Payroll. The Diamond version of QuickBooks Enterprise starts at \$3,618 the first year.

All subscription levels include customer support, online data backup storage for

all QuickBooks data, product upgrades, and training tools.

Is QuickBooks Enterprise Right for Your Business?

A great option for mid-sized and growing professional services businesses that are looking for a better way to manage project costs and billing, QuickBooks Enterprise Professional Services is an all-in-one application that you will not soon outgrow.

5. Review Your Budget Regularly

Another important tip is to review your budget regularly. This will help you catch any potential problems early on and make necessary adjustments accordingly.

For example, if you find that you're consistently overspending in one particular area, you may need to make some changes to how much money you're allotting for that category in the future to stay on budget.

Regular budget review also prevents costly mistakes such as:

- **Underestimating expenses.** One of the most common mistakes project managers make is underestimating the cost of their project. Don't let this happen to you! Review your budget regularly and adjust it as needed to account for unexpected costs.
- **Failing to track changes.** Another mistake is failing to track changes in your budget and expenditures. If you're not tracking changes, you won't be able to see where money is being wasted and make necessary adjustments. Keep a close eye on your budget and make changes as needed.
- **Not accounting for inflation.** Inflation can eat into your project's profitability if you're not careful.
- **Forgetting about taxes.** Depending on the jurisdiction in

which your project is taking place, taxes may need to be accounted for.

- **Not having a contingency plan.** Some project managers make a big mistake not having a contingency plan in case their project goes over budget. Without a contingency plan, you could be in serious financial trouble if your project costs more than expected. Make sure to have a contingency plan in place before starting your project.

No matter how well you plan, there will always be unexpected costs associated with any project. That's why it's important to review your budget regularly and make adjustments as necessary. Doing so can keep your project on track and avoid any costly surprises.

6. **Cut Costs Wherever Possible**

As a project manager, one of your primary goals is to deliver a high-quality product or service while staying within budget. Often, meeting both of these objectives can seem like an impossible feat. However, there are ways that you can cut costs without sacrificing quality.

Being strategic and intentional about where you make cuts can save your company money without compromising on the final product.

Prioritize What's Important

When trying to cut costs, it's important to prioritize what's most important. Not every part of the project needs to be perfect to get a successful project. Identify the key components of the project and focus your attention (and budget) on those areas. The other aspects of the project can be scaled back to save money.

Be Efficient with Resource

Management

There are many ways to be efficient with your resources in today's world. Countless software programs and online tools can help you streamline your processes and save time (and money). Do some research to see what might work for your project, and then implement those efficiencies. This will free up more time (and money) to focus on the most important areas of the project.

Know When to Outsource

There are some aspects of a project that are better left to professionals. If there's a task that you're not confident in completing or if it's outside of your area of expertise, it might be better (and cheaper) to outsource it. This way, you can be sure that the task will be done right the first time, and you won't have to waste valuable time (and money) trying to fix it yourself.

Ask your procurement team to negotiate with vendors or look for cheaper alternatives to the products and services that you're using. Every little bit helps, so don't be afraid to get creative when finding ways to save money.

7. Stay Flexible

it's important to stay flexible when managing a project budget. Things change all the time, so there's no use getting too tied down to one particular way of doing things. If something isn't working or if something unexpected comes up, don't be afraid to make changes as needed.

The most important thing is ensuring that your project stays within its budget—everything else is secondary to that goal.

While similar projects and historical data from

previously completed projects are a great starting point for planning your budget and setting a baseline, two projects are never the same, so project budget management ultimately requires flexibility.

Sometimes, staying within budget means adjusting the project scope or altering the project schedule.

If you can't shift deadlines or factor in scope changes without additional funding, it may be time to use contingency funds to keep the project moving without adding to its total cost.

Managing a project budget doesn't have to be difficult if you know what you're doing. Remember that effective budget management requires careful planning, disciplined execution, and constant vigilance.

But if you can keep all of that under control, you'll be able to complete your current project on time and within budget.

What's your goal today?

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