

Best Practices For Budgeting In QuickBooks



Why are budgets important?

Creating a budget is an important part of managing your business properly. Creating a budget is a necessity for properly planning finances while helping to ensure your business can meet existing financial commitments. Creating a budget also helps businesses plan for additional future expenses.

There are numerous budgets that business owners can create, depending on the needs of the business. But whether you're a small business or a Fortune 500 company, you'll need to create a yearly budget for your company. Of course, a single budget may be sufficient for smaller companies, but larger businesses will need to create additional budgets such as departmental, project, or even location.

You'll also want to consider creating monthly and quarterly budgets, so you'll need software that can do that as well.

Budgets must include fixed costs such as facility rent and insurance, variable costs including labor and materials, and any one-time costs that are expected such as funding for a special project. When preparing a budget be sure to include cash flow estimates as well as any expected profits for the upcoming fiscal year.

The easiest way to create a budget for your business is to use software that can assist in the budget creation process. Using software will also allow you to properly track income and expenses against the created budget, making it easy for business owners, managers, and CFOs to review budget totals versus actuals. In addition, using accounting or budgeting software will provide you with a warning when an expenditure puts you in danger of exceeding your budget.

For example, when you create your budget in November, the monthly rent for your office space was \$850 per month, so you budgeted \$10,200 for rent expenses for the coming year. However, on December 31, your landlord increased your rent to \$1,200 per month, meaning that you'll quickly approach your budgeted amount much earlier than you expected. If you have good budgeting software, you'll be given a warning when you approach the \$10,200 total that you included in your budget.

Using budgeting or accounting software can also help to minimize errors that can commonly occur when using spreadsheets instead of budgeting software to create a budget.

What is the difference

between budgeting and forecasting?

In many cases, budgeting and forecasting terms are used interchangeably, since both look at past company performance and estimate performance for an upcoming period. However, even with all the similarities, there are some subtle differences. Budgets are usually created using historic financial data, while forecasts typically look forward to predicting future performance.

For example, while budgets are primarily used as a summary outline for future business performance, forecasts are used to indicate how your business is performing, and whether it's reaching its budgeting goals. Though the differences are small, if you're torn between the two, you may find that creating a financial forecast for your business is more useful for longer projections, while a budget can be the more useful tool for businesses that need to adhere to a strict financial plan. However, when used together, they can bring the most benefit.

What are the different types of budgets?

There are many different types of budgets that you can create. The most common budgets used by companies include an operating budget, a financial budget, and a master budget.

A financial budget predicts income and expenses for a specific period. Financial budgets are typically prepared monthly, quarterly, or yearly, depending on the needs of the business. For organizations that struggle to manage cash flow properly, preparing a financial budget can be helpful.

An operating budget offers a detailed projection of company revenue and expenses for the coming year. Typically created at year-end using data from the year, an operating budget is typically static and used to compare the budget to actual totals throughout the year. Operating budgets can also be adjusted mid-

year if any unexpected revenue or expenses occur.

A master budget includes all lower-level budgets that have been prepared for your business including both operating and financial budgets. Typically used by larger companies with multiple departments or locations, a master budget is used as a planning tool for the company as a whole. Along with operating and financial budgets, labor and materials budgets and manufacturing overhead budgets are also included in a master budget.

If you're already using QuickBooks you can easily create some basic budgets. For deeper budgeting options an integrated tool like Planergy can help.

Tips for preparing a budget

When preparing a budget there are numerous things you can do to simplify the process while helping to ensure that the budget is as accurate as it can be.

- **Use historical data when available:** If you're a brand-new business, this is not an option, but for those preparing next years' budget, the best way to estimate budget totals is not to guess but to use the previous year's actual data.
- **Budget according to your business cycle:** If you own a seasonal budget, be sure that your budget totals reflect that. For example, if you earn the majority of your revenue during the spring, be sure that your budget reflects higher revenue during that period.
- **Get your employees involved in the budgeting process:** If you're preparing a departmental budget, be sure to get your employees involved in the budget preparation process. No one knows departmental costs better than the person running that department.
- **Overestimate expenses and underestimate revenue:** It's always a pleasant surprise when revenue is higher than budgeted – not so much

when expenses come in higher than expected. Always be a little conservative when it comes to estimating revenue while tacking on an additional 10% to 15% to your expenses. This can help you manage any unexpected costs and help keep you on budget.

- **Make adjustments as needed:** Static budgets can provide good information for your business, but if they're not adjusted, when necessary, they can quickly become obsolete. Be sure to revisit your budget regularly and make any adjustments as needed.

What program should I use to prepare my budget?

If you're already using QuickBooks Desktop or QuickBooks Online, you can easily create some basic budgets. Both applications can create monthly, quarterly, or yearly budgets, with the option to prefill budget totals with previous years' totals.

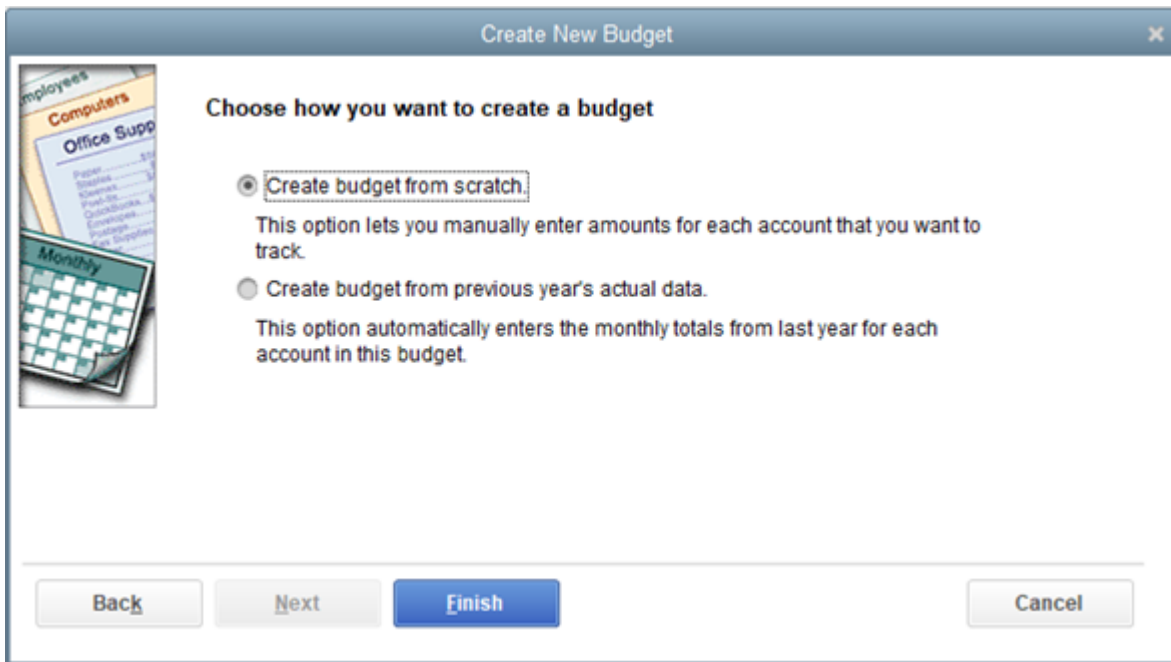
QuickBooks Budgets can be created by class, customer, or location, as a profit & loss budget, or as a balance sheet budget. Businesses are limited to creating one organizational budget per year, though multiple smaller budgets can be created. In addition, you can access two budget reports; the Budget Overview report and the Budget vs. Actuals report.

To create a budget in QuickBooks Desktop, just follow these simple steps:

1. Under **Company**, choose the **Planning and Budgeting** option. You can choose between Set Up Budgets and Cash Flow Projector.
2. After choosing **Set Up Budgets**, click on the **Create New Budget** tab at the top right-hand side of the screen.
3. Under the Create New Budget option, you can choose between a **Profit and Loss** budget, which reflects all activity for the current year, or a **Balance Sheet**, which only includes ending balances.

The Create a New Budget option in QuickBooks Desktop

4. Highlight the **Profit and Loss**
5. Add any additional criteria such as customer job or class.
6. Choose whether you wish to create a budget from scratch or want to use last year's data to create your budget.



Create New Budget

Choose how you want to create a budget

☒ Create budget from scratch.
This option lets you manually enter amounts for each account that you want to track.

☐ Create budget from previous year's actual data.
This option automatically enters the monthly totals from last year for each account in this budget.

Back Next Finish Cancel

Choose whether to use previous data or create your budget from scratch.

7. If you choose to create a budget from scratch, you'll have access to the budget template within QuickBooks Desktop.

Set Up Budgets

Budget
FY2026 - Profit & Loss by Account

Create New Budget

ACCOUNT	ANNUAL ...	JAN26	FEB26	MAR26	APR26	MAY26	JUN26	JUL26	AUG26	SEP26	OCT26	NOV26	DEC26
40100 - Constructi...													
40110 - Design I...													
40120 - Equipm...													
40130 - Labor In...													
40140 - Material...													
40150 - Subcont...													
40199 - Less Di...													
40500 - Reimburs...													
40510 - Mileage ...													
40520 - Permit R...													
40530 - Reimbur...													
50100 - Cost of G...													
54000 - Job Expen...													

Copy Across Adjust Row Amounts Clear Save OK Cancel Help

The QuickBooks Desktop budget template lets you enter data from a single screen.

You can enter all of your budgeted totals from this screen. However, if you choose to use prior years' totals, you can do that from the screen below.

ACCOUNT	ANNUAL ...	JAN26	FEB26	MAR26	APR26	MAY26	JUN26	JUL26	AUG26	SEP26	OCT26	NOV26	DEC26
40100 - Constructi...													
40110 - Design I...	3,400.00	1,000.00	0.00	0.00	0.00	0.00	0.00	0.00	2,400.00	0.00	0.00	0.00	0.00
40120 - Equipm...													
40130 - Labor In...	16,335.00	1,175.00	1,635.00	0.00	840.00	0.00	0.00	3,123.50	2,000.00	0.00	3,910.00	1,330.00	2,321.50
40140 - Material...	36,023.77	18,920.00	1,078.70	0.00	4,103.50	0.00	0.00	2,006.06	0.00	0.00	7,660.82	1,322.95	931.50
40150 - Subcont...	112,666.50	2,910.00	3,481.50	16,500.00	2,730.00	16,500.00	11,605.00	0.00	32,175.00	16,115.00	6,155.00	2,160.00	2,335.00
40199 - Less Di...													
40500 - Reimburs...													
40510 - Mileage ...													
40520 - Permit R...	835.00	0.00	0.00	0.00	0.00	0.00	0.00	225.00	0.00	0.00	446.00	164.00	0.00
40530 - Reimbur...													
50100 - Cost of G...	5,620.96	5,038.95	-208.20	0.00	329.85	0.00	0.00	0.00	0.00	0.00	376.24	84.12	0.00
54000 - Job Expen...													

Last year's data is available for those that wish to utilize it.

Those using Premier, Enterprise or Accountant versions of QuickBooks Desktop can also create a forecast in the application as well.

To create a forecast, follow these steps:

1. Under the **Company** menu, choose the **Planning & Budgeting** option, and then select **Set Up Forecast**.
2. Select **Create New Forecast**.
3. Choose the fiscal year that you would like to create a forecast for. Like the budgeting option, you can also choose to add additional criteria such as Jobs or Class.
4. Choose **Create Forecast from Scratch** if you wish to create a new forecast. If you wish to create a new forecast based on previous data, choose **Create Forecast from Previous Year's Data**.

Once budgets have been created, you can opt to run several budget-related

reports. These reports include:

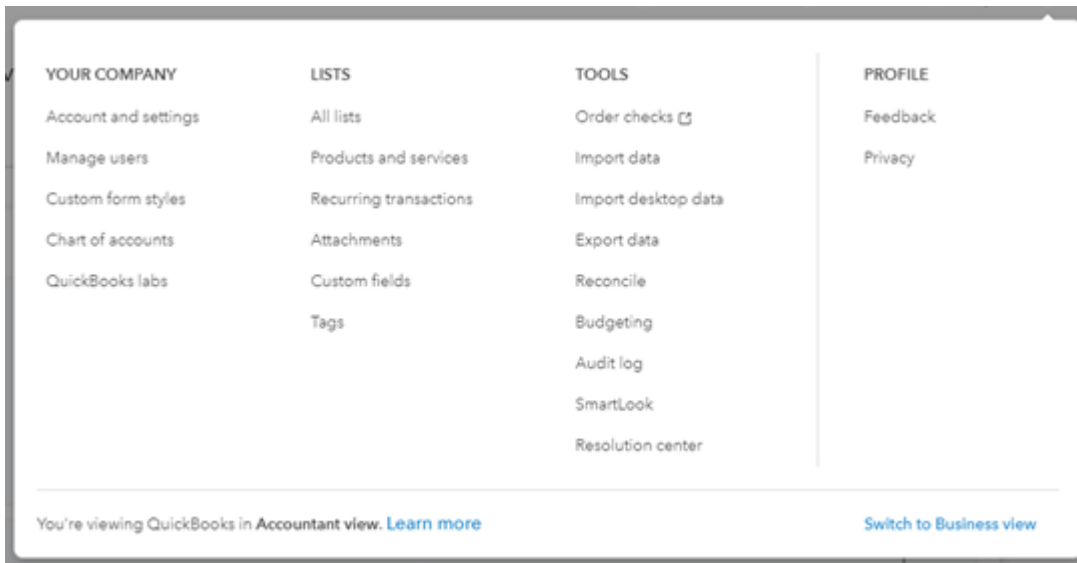
- Budget Overview
- Budget vs. Actual
- Profit & Loss Budget Performance
- Budget vs. Actual Graph

If you're using QuickBooks Desktop to create a budget, you may also want to set up the cash flow projector option in the application as well. The cash flow projector looks at business finances based on a variety of scenarios. Though this feature has been discontinued in QuickBooks Desktop 2022, you can continue to use it in older versions of the application.

Creating a budget in QuickBooks Online

Setting up a budget in QuickBooks Online is relatively simple, though it's not obvious from the main screen. Instead, you'll have to access the budgeting feature under Tools, which is found under Accountant view. To get started, follow these steps.

1. Click on the gear icon at the top of the screen.
2. Under **Tools**, click on **Budgeting**.



The Accountant View of QuickBooks Online lists all management features.

3. Click on the **Add Budget** tab on the screen.
4. Here, you can name your budget, choose the fiscal year you wish to create a budget for, and whether you wish to pre-fill data from previous budgets. There is also an option to subdivide the budget by customer if you wish. You can also subdivide your budget by location or class if you use them in your business.

In addition, QuickBooks Online also includes a budget wizard that will take you through a complete budget interview process when creating a budget for the first time.

The screenshot shows the 'New Budget' screen in QuickBooks Online. At the top, there's a form with the following fields: 'Name' (empty), 'Fiscal Year' (FY2021), 'Interval' (Monthly), 'Pre-Budget' (No), and 'Subdivide by' (Don't subdivide). Below the form is a table with columns for months (JAN to DEC) and a TOTAL column. The table lists various accounts under 'INCOME' and 'OTHER INCOME' categories. Most values are 0.00. A large 'BUDGET PREVIEW' watermark is overlaid on the table.

The budget entry screen in QuickBooks Online is easy to use.

If you've used both QuickBooks Desktop and QuickBooks Online, you'll know that creating a budget in QuickBooks Online is much easier than doing so in QuickBooks Desktop.

Other budgeting options

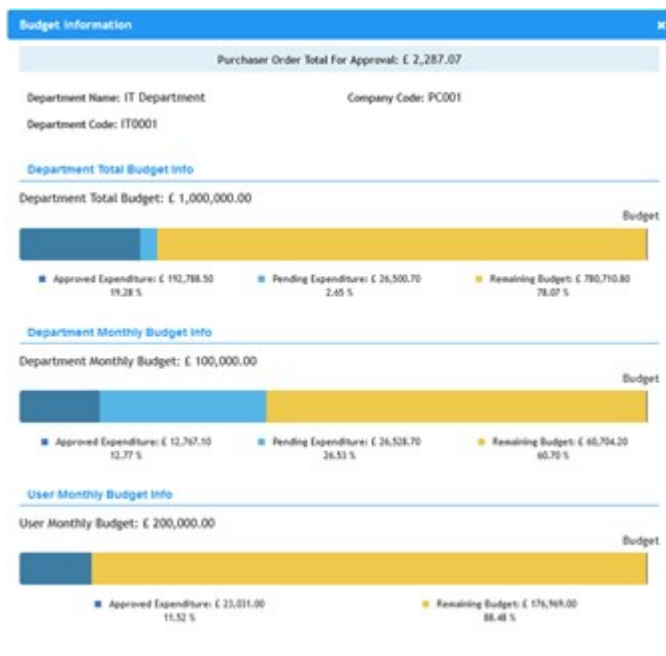
While there are several budget applications on the market, having your budgets integrated with your accounting and financial applications can save you a tremendous amount of time.

While both QuickBooks Desktop and QuickBooks Online applications can easily prepare basic budgets, the ability to customize a budget is limited in both applications. If you're looking for more custom budgeting or require multi-year budgets, you may want to consider using a software that integrates with

QuickBooks and provides more in-depth budgeting and reporting capabilities.

For example, companies that use Planergy to manage spend and accounts payable can benefit from its extensive budget creation and management capabilities. Designed for flexibility, Planergy is suitable for use in any industry and can be used in companies of any size. Planergy offers a variety of budgeting tools and includes the following features:

- The ability to set budgets by job, department, project, cost center, or person
- The ability to create multiple budgets per company
- The option to create monthly, annual, or custom date range budgets
- Real-time budget reporting with the budget updated each time a purchase order is created or an invoice processed.
- All budgets offer drill-down capability, so users can view detailed information on all orders including who is requesting the order when the order was placed, who the supplier on the order is, and if the expenditure has been approved.



Planergy offers budget details for better real-time expense management.

Particularly useful for any company that need to better manage expenses in real-time, applications like Planergy can provide extensive budget customization capability that other applications such as QuickBooks cannot. Planergy has integration options for QuickBooks Online and QuickBooks Desktop.

Whether you're using QuickBooks, Planergy, an Excel spreadsheet, or another budgeting tool, creating a budget is an important part of running a business. Be sure you have the tools in place to create a budget that can be a helpful resource for your business going forward.

What's your goal today?

1. Use Planergy to manage purchasing and accounts payable

We've helped save billions of dollars for our clients through better spend management, process automation in purchasing and finance, and reducing financial risks. To discover how we can help grow your business:

- Read our case studies, client success stories, and testimonials.
- Visit our "Solutions" page to see the areas of your business we can help improve to see if we're a good fit for each other.
- Learn about us, and our long history of helping companies just like yours.

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2. Download our guide "Preparing Your AP Department For

The Future”

Download a free copy of our guide to future proofing your accounts payable department. You'll also be subscribed to our email newsletter and notified about new articles or if have something interesting to share.

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3. Learn best practices for purchasing, finance, and more

Browse hundreds of articles, containing an amazing number of useful tools, techniques, and best practices. Many readers tell us they would have paid consultants for the advice in these articles.

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