

How to Forecast and Budget Sales

A sales forecast is a planning tool that predicts sales volume and directs operations.

A sales forecast is a planning tool that management uses to guide company operations and evaluate performance. Companies conduct sales forecasts to predict sales volume for a future period and to compare estimated sales in the future with actual sales over a past period. The forecast is based on historical sales figures and an analysis of expected market conditions, such as the introduction of new competitors or fluctuations in demand. The sales forecast is the starting point for budgeting. The sales budget, in turn, drives the production, direct materials, direct labor and manufacturing overhead budgets.

How to Calculate Sales Forecasting How to Prepare a Forecast Budget Sheet

Instructions

1

Prepare a customer profile for your product or service. Most companies report that about 20 percent of their customers account for nearly 80 percent of sales volume. In forecasting sales, your first step should be to identify the customer group within your target market that accounts for the majority of sales. Your customer profile will largely depend on what business your company is in. Examples of customer profiles are: middle-aged professional males who like to golf, low-income households in a particular area and small business owners who are looking to expand.

2

Look at market trends. Changing market conditions may work for you or against you, depending on what you're offering and changes in the market. Talk to trade suppliers and discuss which products and services are expected to do well in the near future and refer to trade magazines and business periodicals aimed at your particular industry.

3

Determine the size and location of your trading area. This is defined as the distance that an average customer will travel to buy the product or service from your establishment. Your trading area also includes those places where you will distribute or advertise your product or service. Once you have identified the general area, talk to locals, the chamber of commerce or other business establishments to identify characteristics unique to the area.

4

Estimate the size of the market by taking into account the number of prospects in your trading area and the average amount a prospect spends on the product or service. If you identified single-parent households as your prospects, the size of the market would be the number of single-family households multiplied by the average amount a household spends on the product or service per month. If the area has 1,000 single-parent families and each spends \$500 on the product or service, the size of the market is \$500,000. This market will be split among you and your competitors.

5

Make a list of competitors in your area. Visit each establishment and analyze operations by taking note of the location, foot traffic at different times during the day, customer profiles, promotional activities, quality and range of products or services offered. Talk to staff and customers for more insight on how the business is run and how customers are served.

6

Project sales. Your prediction may be based on a similar establishment's recent sales volume or an estimate of the percentage of the target market that will buy from you. If you estimate that you will sell to 40 percent of the market (from 1,000 single-family households) and they will spend 50 percent of their average spending of \$500 per household, your sales forecast would be \$100,000 (400 times 250).



PERSONAL FINANCIAL STATEMENT

U.S. SMALL BUSINESS ADMINISTRATION

As of _____, _____

Complete this form for: (1) each proprietor, or (2) each limited partner who owns 20% or more interest and each general partner, or (3) each stockholder owning 20% or more of voting stock, or (4) any person or entity providing a guaranty on the loan.

Name Business Phone

Residence Address Residence Phone

City, State, & Zip Code

Business Name of Applicant/Borrower

Table with columns ASSETS (Omit Cents) and LIABILITIES (Omit Cents). Rows include Cash on hand & in Banks, Savings Accounts, IRA or Other Retirement Account, Accounts & Notes Receivable, Life Insurance-Cash Surrender Value Only, Stocks and Bonds, Real Estate, Automobile-Present Value, Other Personal Property, Other Assets, Accounts Payable, Notes Payable to Banks and Others, Installment Account (Auto), Installment Account (Other), Loan on Life Insurance, Mortgages on Real Estate, Unpaid Taxes, Other Liabilities, Total Liabilities, Net Worth.

Section 1. Source of Income and Contingent Liabilities. Rows include Salary, Net Investment Income, Real Estate Income, Other Income (Describe below)*, As Endorser or Co-Maker, Legal Claims & Judgments, Provision for Federal Income Tax, Other Special Debt.

Description of Other Income in Section 1.

*Alimony or child support payments need not be disclosed in "Other Income" unless it is desired to have such payments counted toward total income.

Section 2. Notes Payable to Banks and Others. (Use attachments if necessary. Each attachment must be identified as a part of this statement and signed.)

Table with columns: Name and Address of Noteholder(s), Original Balance, Current Balance, Payment Amount, Frequency (monthly, etc.), How Secured or Endorsed Type of Collateral.

Section 3. Stocks and Bonds. (Use attachments if necessary. Each attachment must be identified as a part of this statement and signed).

| Number of Shares | Name of Securities | Cost | Market Value Quotation/Exchange | Date of Quotation/Exchange | Total Value |
|------------------|--------------------|------|---------------------------------|----------------------------|-------------|
| | | | | | |
| | | | | | |
| | | | | | |

Section 4. Real Estate Owned. (List each parcel separately. Use attachment if necessary. Each attachment must be identified as a part of this statement and signed.)

| | Property A | Property B | Property C |
|-----------------------------------|------------|------------|------------|
| Type of Property | | | |
| Address | | | |
| Date Purchased | | | |
| Original Cost | | | |
| Present Market Value | | | |
| Name & Address of Mortgage Holder | | | |
| Mortgage Account Number | | | |
| Mortgage Balance | | | |
| Amount of Payment per Month/Year | | | |
| Status of Mortgage | | | |

Section 5. Other Personal Property and Other Assets. (Describe, and if any is pledged as security, state name and address of lien holder, amount of lien, terms of payment and if delinquent, describe delinquency)

Section 6. Unpaid Taxes. (Describe in detail, as to type, to whom payable, when due, amount, and to what property, if any, a tax lien attaches.)

Section 7. Other Liabilities. (Describe in detail.)

Section 8. Life Insurance Held. (Give face amount and cash surrender value of policies - name of insurance company and beneficiaries)

I authorize SBA/Lender to make inquiries as necessary to verify the accuracy of the statements made and to determine my creditworthiness. I certify the above and the statements contained in the attachments are true and accurate as of the stated date(s). These statements are made for the purpose of either obtaining a loan or guaranteeing a loan. I understand FALSE statements may result in forfeiture of benefits and possible prosecution by the U.S. Attorney General (Reference 18 U.S.C. 1001).

Signature: _____ Date: _____ Social Security Number: _____

Signature: _____ Date: _____ Social Security Number: _____

PLEASE NOTE: The estimated average burden hours for the completion of this form is 1.5 hours per response. If you have questions or comments concerning this estimate or any other aspect of this information, please contact Chief, Administrative Branch, U.S. Small Business Administration, Washington, D.C. 20416, and Clearance Officer, Paper Reduction Project (3245-0188), Office of Management and Budget, Washington, D.C. 20503. **PLEASE DO NOT SEND FORMS TO OMB.**

SAMPLE 12 MONTH FORECAST

| Account | Mar-05 | Apr-05 | May-05 | Jun-05 | Jul-05 | Aug-05 | Sep-05 | Oct-05 | Nov-05 | Dec-05 | Jan-06 | Feb-06 | Total | %AGE |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|---------|
| 1 Sales | \$72,100 | \$79,500 | \$81,750 | \$90,160 | \$98,325 | \$100,890 | \$103,455 | \$101,981 | \$101,600 | \$104,000 | \$99,750 | \$102,000 | \$1,135,511 | 100.00% |
| 2 Cost of Sales | \$28,840 | \$31,800 | \$32,700 | \$36,064 | \$39,330 | \$40,356 | \$41,382 | \$40,792 | \$40,640 | \$41,600 | \$39,900 | \$40,800 | \$454,204 | 40.00% |
| 3 Gross Profit | \$43,260 | \$47,700 | \$49,050 | \$54,096 | \$58,995 | \$60,534 | \$62,073 | \$61,189 | \$60,960 | \$62,400 | \$59,850 | \$61,200 | \$681,307 | 60.00% |
| Operating Expenses | | | | | | | | | | | | | | |
| 4 Rent and Property taxes | \$4,150 | \$4,150 | \$4,150 | \$4,150 | \$4,150 | \$4,150 | \$4,150 | \$4,150 | \$4,150 | \$4,150 | \$4,150 | \$4,150 | \$49,800 | 4.39% |
| 5 Payroll | \$11,330 | \$11,062 | \$11,062 | \$11,330 | \$11,062 | \$11,330 | \$10,815 | \$10,815 | \$10,815 | \$11,062 | \$10,068 | \$10,068 | \$130,819 | 11.52% |
| 6 Payroll Taxes | \$2,307 | \$2,472 | \$2,472 | \$2,637 | \$2,818 | \$2,818 | \$2,818 | \$2,637 | \$2,637 | \$2,637 | \$2,472 | \$2,472 | \$31,197 | 2.75% |
| 7 Bank Charges | \$900 | \$900 | \$900 | \$900 | \$900 | \$900 | \$900 | \$900 | \$900 | \$900 | \$900 | \$900 | \$10,800 | 0.95% |
| 8 Advertising Fees (4%) | \$2,000 | \$2,100 | \$2,200 | \$2,300 | \$2,400 | \$2,500 | \$2,600 | \$2,700 | \$2,800 | \$2,900 | \$3,000 | \$3,000 | \$30,500 | 0.95% |
| 9 Satellite Expenses | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$12,000 | 1.06% |
| 10 Employee Relations | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$1,200 | 0.11% |
| 11 Telephone | \$70 | \$70 | \$70 | \$70 | \$70 | \$70 | \$70 | \$70 | \$70 | \$70 | \$70 | \$70 | \$840 | 0.07% |
| 12 Utilities | \$2,369 | \$2,266 | \$2,163 | \$2,163 | \$2,060 | \$2,163 | \$2,060 | \$2,060 | \$2,163 | \$2,369 | \$2,369 | \$2,369 | \$26,574 | 2.34% |
| 13 Office Supplies | \$150 | \$50 | \$50 | \$50 | \$50 | \$50 | \$50 | \$50 | \$50 | \$50 | \$50 | \$50 | \$700 | 0.06% |
| 14 Cleaning Supplies | \$200 | \$50 | \$50 | \$50 | \$50 | \$50 | \$50 | \$50 | \$50 | \$50 | \$50 | \$50 | \$750 | 0.07% |
| 15 Trash Removal | \$309 | \$309 | \$309 | \$309 | \$309 | \$309 | \$309 | \$309 | \$309 | \$309 | \$309 | \$309 | \$3,708 | 0.33% |
| 16 Interest | \$408 | \$400 | \$392 | \$384 | \$376 | \$368 | \$360 | \$352 | \$344 | \$336 | \$328 | \$320 | \$4,368 | 0.38% |
| 17 Equipment Lease | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 | \$2,400 | 0.21% |
| 18 Insurance | \$1,500 | \$1,500 | \$1,500 | \$1,500 | \$1,500 | \$1,500 | \$1,500 | \$1,500 | \$1,500 | \$1,500 | \$1,500 | \$1,500 | \$18,000 | 1.59% |
| 19 Accounting | \$500 | \$500 | \$500 | \$500 | \$500 | \$500 | \$500 | \$500 | \$500 | \$500 | \$500 | \$500 | \$6,000 | 0.53% |
| 20 Legal | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 | \$2,400 | 0.21% |
| 21 Subscriptions | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$1,200 | 0.11% |
| 22 Licenses | \$300 | \$300 | \$300 | \$300 | \$300 | \$300 | \$300 | \$300 | \$300 | \$300 | \$300 | \$300 | \$3,600 | 0.32% |
| 23 Repairs & Maintenance | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$12,000 | 1.06% |
| 24 Customer Relations | \$150 | \$150 | \$150 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$1,350 | 0.12% |
| 25 Laundry | \$225 | \$225 | \$225 | \$225 | \$225 | \$225 | \$225 | \$225 | \$225 | \$225 | \$225 | \$225 | \$2,700 | 0.24% |
| 26 Total Operating Expenses | \$29,468 | \$29,104 | \$29,093 | \$29,568 | \$29,470 | \$29,933 | \$29,407 | \$29,318 | \$29,513 | \$30,058 | \$28,991 | \$28,983 | \$352,906 | 31.08% |
| 27 Net Operating Income | \$13,792 | \$18,596 | \$19,957 | \$24,528 | \$29,525 | \$30,601 | \$32,666 | \$31,871 | \$31,447 | \$32,342 | \$30,859 | \$32,217 | \$328,401 | 28.92% |
| 28 Depreciation | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| LOAN PRINCIPAL | (\$2,354) | (\$2,362) | (\$2,370) | (\$2,378) | (\$2,386) | (\$2,394) | (\$2,402) | (\$2,410) | (\$2,418) | (\$2,426) | (\$2,434) | (\$2,442) | (\$28,776) | |
| NET MONTHLY CASH FLOW | \$11,438 | \$16,234 | \$17,587 | \$22,150 | \$27,139 | \$28,207 | \$30,264 | \$29,461 | \$29,029 | \$29,916 | \$28,425 | \$29,775 | \$299,625 | |
| BEGINNING CASH BALANCE | \$202,150 | \$213,588 | \$229,822 | \$247,409 | \$269,559 | \$296,698 | \$324,905 | \$355,169 | \$384,630 | \$413,659 | \$443,575 | \$472,000 | \$202,150 | |
| ENDING CASH BALANCE | \$213,588 | \$229,822 | \$247,409 | \$269,558 | \$296,698 | \$324,905 | \$355,169 | \$384,630 | \$413,659 | \$443,575 | \$472,000 | \$501,775 | \$501,775 | |