

WORDS IN CONTEXT

Read the following passage and write the words in the blanks below.

| | | | |
|-----------|-------------|-----------|-----------|
| desired | level | projected | translate |
| detailed | overall | realistic | typical |
| forecasts | perspective | target | yield |

A business budget focuses on future profits and future capital requirements. A budget can help the business owner determine the amount of profit the business is expected to make, the amount of sales it will take to reach a goal, and what (1) _____ of expenses are attached to those sales. A business establishes a (2) _____, a goal to work toward. A business (3) _____ the sales that will be needed to reach this target.

Projecting or planning ahead is part of (4) _____ business planning. When creating a (5) _____ income statement, a business owner tries to determine how to reach the (6) _____ target. The annual profit must be sufficient to (7) _____ the owner a return for his or her time spent operating the business, plus a return on the investment. The owner's target income is the sum of a reasonable salary for the time spent running the business and a normal return on the amount invested in the firm.

After projecting the income needed, the business owner has to (8) _____ the target profit into a net sales figure for the forecasted period. The owner has to determine whether this sales volume is (9) _____. One useful technique is to break down the required annual sales into a daily sales figure to get a better (10) _____ of the sales required to yield the annual profit.

At this stage in the financial plan, the owner should create a (11) _____ picture of the firm's expected operating expenses. Many books and business organizations give (12) _____ operating statistics data, based on a percentage of net sales. The business's accountant can help you assign dollar values to anticipated expenses.

Developing a projected income statement is an important part of any financial plan, as the process forces the business owner to examine the firm's future profitability.