

**University Of Abdelhafid Boussouf-Mila**

**Faculty of Economics, Commercial &**

**Management Sciences**

**Lecture Eight: Financial Forecasts & Budgeting**



**Addressed To master one Students-Semester 1**

**Prepared & Presented by:**

**Ms. SARA MEZHOUD**

**Teacher of English Language**

**Academic Year 2025-2026**

## Introduction

The financial forecasts and budgeting section is the **analytical core** of a business plan. It translates strategic goals into numerical data and measurable financial expectations. Through detailed projections of revenues, expenses, and profits, this section provides a realistic picture of the business's financial viability and sustainability. It assures potential investors that the company has a well-structured plan for managing its financial resources responsibly.

Financial forecasting involves estimating the firm's future performance by analyzing market trends, operational costs, and anticipated sales. It is not merely speculation but a rational process grounded in evidence and research. Budgeting, on the other hand, provides a framework for allocating resources efficiently, controlling expenditures, and setting financial priorities to maintain balance and stability.

Together, financial forecasts and budgets enable the business to plan its growth, manage risks, and evaluate progress over time. They highlight key indicators such as **cash flow**, **break-even point**, **profit margins**, and **return on investment (ROI)**, all of which are critical for assessing the organization's financial health. Thus, this section is indispensable for demonstrating both the **credibility and sustainability** of the business idea.

## 2. Purpose of Financial Forecasting

Financial forecasts predict the company's **future performance** based on current data and realistic assumptions. They help:

- Plan future growth.
- Convince investors or banks to provide funding.
- Control spending and measure progress.

## 3. Main Financial Components

A good financial plan includes several key elements:

### a. Revenue (Sales)

Revenue is the total amount of money earned from selling products or services.

Example: “We expect to sell 500 cakes per month at \$10 each = \$5,000 monthly revenue.”

### b. Costs

Costs are divided into:

- **Fixed costs:** rent, salaries, insurance (stay the same each month).
- **Variable costs:** materials, electricity, shipping (change with production).

### c. Profit

Profit = Revenue – Total Costs

This shows how much money remains after paying all expenses.

### d. Cash Flow

Cash flow shows how money moves in and out of the business every month. Even profitable businesses can fail if they don't have enough cash to pay bills on time.

### e. Break-even Point

The break-even point is when total revenue equals total costs — the business is not losing or gaining money yet.

Example: “Our bakery will reach break-even after selling 1,000 cakes.”

### f. ROI (Return on Investment)

This measures how much profit is made compared to the initial investment.

Formula:

$$\text{ROI} = (\text{Net Profit} \div \text{Investment}) \times 100$$

## 4. Budgeting

A **budget** is a plan that lists all expected income and expenses. It helps business owners make smart financial decisions and avoid overspending.

A good budget includes:

- Startup costs (equipment, licenses, rent)
- Monthly expenses (salaries, supplies)
- Marketing costs
- Emergency reserve

Example:

Category	Monthly Cost (\$)
Rent	500
Ingredients	700
Salaries	1,200
Marketing	300
Total	2,700

## 5. Financial Charts and Visuals

In business plans, charts and tables make financial data easier to understand:

- **Bar charts** for revenue comparison
- **Line graphs** for growth trends
- **Pie charts** for cost distribution

Example:

“The pie chart shows that 45% of expenses are for salaries, while marketing represents 20%.”

## 6. Vocabulary Focus

Here are some useful terms for this section:

- **Projection:** a financial prediction for the future.
- **Break-even point:** when revenue equals costs.
- **Cash flow:** movement of money in and out.
- **ROI:** return on investment.
- **Expenses:** money spent by the company.
- **Revenue:** total money earned.

## 7. Conclusion

The financial forecasts and budgeting section gives **credibility and confidence** to a business plan. It proves that the entrepreneur understands money management and can lead the project responsibly. Clear, simple numbers and visuals help investors see that the business idea is not just creative — it's also **financially sustainable**.