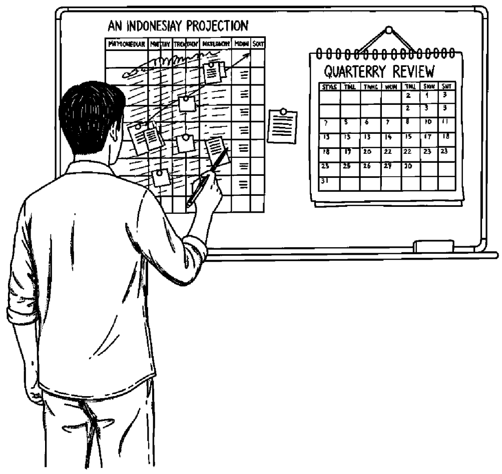
HIGH-VOLUME

WORKSHEET 1 OF 9

Monthly Budget-vs-Actual Reconciliation

Run on the first working day of each month using last month's bank statement and purchase records.



Complementary worksheet for
Budget Forecasting Methods
by Ibrahim Anwar

SECTION 1

What This Is For

A 30-minute monthly discipline that closes the loop between what you planned to spend and what you actually spent. Most budget failures are not planning failures — they are detection failures. The plan was reasonable; no one checked whether reality was tracking it until the gap was too wide to close cheaply.

This worksheet is the detection mechanism. It forces you to sit with one question per category: is the difference between budget and actual a one-time anomaly, a recurrence, or a signal that the budget assumption is wrong? The fifth column — cause and action — is where the management work actually lives. Without it, you are doing accounting. With it, you are running a business.

SECTION 2

Benefits

What you get when you actually run this worksheet on a real situation:

- Catches cost overruns and revenue shortfalls within the month they occur, not at year-end when the only option is to explain what went wrong.
- Forces a one-sentence cause for every material variance, building an institutional record that survives personnel changes.
- Identifies which variances are one-off and which will recur, so next month's budget can be adjusted before the fact rather than after.
- Completes in 30 minutes when data is already structured — reconciliation is a data problem before it is a time problem.
- Produces the baseline that rolling forecast updates depend on: without an accurate picture of actuals, any forward projection is arithmetic on guesses.

SECTION 3

Framework To Use

— Five-Column Reconciliation

Each column does one job. The fifth column is where a number comparison becomes a management decision.

1 {'label': 'Category', 'text': 'Revenue or cost line from the budget'}

▼

2 {'label': 'Budget', 'text': 'What was planned for this month'}

▼

3 {'label': 'Actual', 'text': 'From bank statement or invoices — not estimates'}

▼

4 {'label': 'Variance', 'text': 'Positive = over budget; negative = under budget'}

▼

5 {'label': 'Cause and Action', 'text': 'Will this recur? What decision does it require?'}

SECTION 4

How To Use

Follow these steps in order. Each one builds on the previous.

1. Pull the bank statement and purchase records for the month just closed. Do not start from memory.
2. List every budget category in column one — revenue lines first, then cost categories in order of size.
3. Enter the budgeted amount and the actual amount side by side. Calculate the variance in dollars. Positive variance on costs means over-budget; negative variance on revenue means under-budget.
4. For every variance above 10 percent of the budgeted amount for that category, write the cause in the fifth column. If you cannot name a cause, write 'no explanation yet' — do not leave the cell blank.
5. Decide in that same session whether the cause will recur next month. Write your conclusion: 'one-off' or 'likely to recur.'
6. Any line marked 'likely to recur' is a candidate for a budget adjustment before next month starts. Adjust now, not at next month's close.
7. Sum the net surplus or deficit. Compare it to last month's. If the net position is worse for two consecutive months in the same category, that category needs an operational response, not another month of monitoring.
8. File the completed worksheet. Next month's reconciliation starts from this month's actuals.

SECTION 5

Example Use

A distribution business with $180,000 in monthly revenue closes April and runs the reconciliation. Revenue came in $14,400 below budget. Raw materials ran $5,200 over. Everything else is within 5 percent. The owner runs the five columns.

Revenue variance: $14,400 unfavorable — 8 percent below the $180,000 target. Cause: one wholesale customer delayed a confirmed order to May. The owner writes 'one-off — order confirmed for May delivery' in column five. No budget adjustment needed; the revenue will arrive next month.

Raw materials variance: $5,200 unfavorable — 14 percent above the $37,000 budget. The owner checks the invoice. A primary supplier raised packaging material prices by 12 percent effective April 1 with two weeks' notice. This will recur. The owner writes 'supplier price increase effective April — permanent. Renegotiate Q3 contract or revise budget line to $41,000.'

Utilities: $640 over — 7 percent. Below the 10 percent threshold. Note it; no action required.

Net position: $16,640 deficit versus a budgeted $8,000 surplus. Worse than March. The owner adjusts the May raw materials budget to $41,000 before closing the worksheet. The revenue shortfall will self-correct when the delayed order lands. The materials line needed an immediate response.

Total session time: 28 minutes. One operational decision made. One budget line adjusted for May before the month starts.

SECTION 6

The Worksheet

Tear this out, copy it onto a fresh sheet, or fill it in directly.

Monthly Budget-vs-Actual Reconciliation

Run on the first working day of each month using last month's bank statement and purchase records.

CATEGORY	BUDGET THIS MONTH ($)	ACTUAL THIS MONTH ($)	VARIANCE ($)	CAUSE AND ACTION

Reflection Prompts

After filling in the worksheet on the previous page, work through these.

1. For every variance above 10 percent of budget in any single category: state the cause in one sentence and decide whether it will recur next month. Write both answers in the Cause and Action column before closing the sheet.

2. After completing all rows: is the net surplus or deficit better or worse than last month? If worse for two consecutive months in the same category, that category needs a budget adjustment — not another month of monitoring.

3. Which one variance this month, if repeated for three consecutive months, would require an operational decision? Make that decision now rather than after month three.

SECTION 7

Tips and Traps

TIPS	TRAPS
• Do the reconciliation on the same day every month — the first working day is the standard. The ritual matters more than the format. • Check actual volume before reading any cost variance. A raw material line that appears favorable may be hiding an output shortfall. Always confirm budgeted units versus actual units before calling a cost variance good or bad. • Keep the cause column in plain language, not accounting language. 'Supplier raised packaging prices April 1' is more useful than 'materials variance positive 14 percent.' • Use the filed worksheets as a trend detector. Any category flagged three months in a row is a structural issue, not noise.	• Treating a favorable cost variance as automatically good without checking whether lower spending resulted from lower-than-planned output. The number can look right while hiding a problem underneath. • Skipping the cause column when a variance looks small. Small recurring variances compound. A $400 monthly overage on a utilities line adds $4,800 per year without ever crossing a monthly materiality threshold. • Doing the reconciliation but not adjusting next month's budget when a variance is confirmed as recurring. The purpose of finding the cause is to make a decision — not to document and move on. • Using budget as the baseline for variance analysis when the budget has not been revised for six months and conditions have changed. A stale budget produces variance numbers that are wrong in both directions.

SECTION 8

Appendixes

Appendix A — Materiality Threshold Quick Card

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Default threshold (SME, first 3 months):
  Variance >= 10% of budget for any single category
    → state cause and action in column 5.
  Variance < 10%
    → note it; no in-depth analysis required.

Tighten thresholds after 3 months of baseline data:
  Revenue lines            : flag at >= 8%
  Fixed cost lines         : flag at >= 5% (these should be flat)
  Variable cost lines      : flag at >= 10% (expected to move)

Volume context check — run BEFORE reading cost variances:
  If actual volume differs from budgeted volume by > 15%,
  adjust variable cost budget to actual volume first.
  The remaining variance is price and efficiency — both actionable.
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Appendix B — Variance Direction Reference

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Revenue lines:
  Actual > Budget  =  Favorable (more came in than planned)
  Actual < Budget  =  Unfavorable (less came in than planned)

Cost lines:
  Actual < Budget  =  Favorable (spent less than planned)
  Actual > Budget  =  Unfavorable (spent more than planned)

WARNING: Favorable cost variance is not automatically good.
  Check output volume first. If actual production was below budget,
  a favorable cost variance may reflect a volume problem, not
  an efficiency gain. Always run the volume check before
  labelling a cost variance.
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WHERE THIS WORKSHEET COMES FROM

Budget Forecasting Methods

A Budget Never Revised Is Fiction That Gets Funded

by Ibrahim Anwar

This worksheet is one of nine in the *Budget Forecasting Methods* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

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