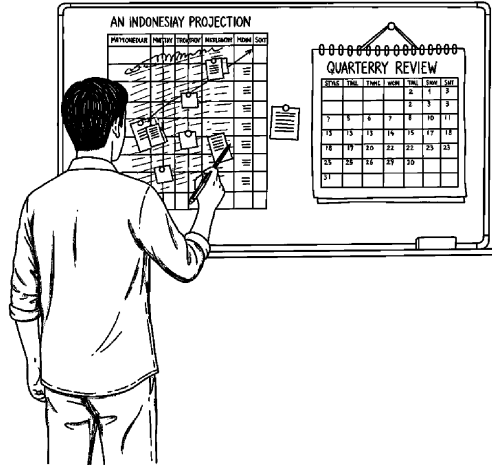


HIGH-VOLUME

WORKSHEET 3 OF 9

# End-of-Month Budget-vs-Actual Reconciliation with YTD Tracking

*Monthly close reconciliation that carries year-to-date totals forward. Run after the bank statement for the last day of the month is confirmed.*



Complementary worksheet for  
*Budget Forecasting Methods*  
by Ibrahim Anwar

## What This Is For

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Monthly variances are noisy. A single bad month in a specific category can reflect a timing difference, a seasonal spike, or a genuine structural shift — the monthly number alone cannot tell you which. Year-to-date variance is the diagnostic that separates noise from drift. An operator who only reads the current month's column is flying with a one-second view; the YTD column gives the year's trajectory.

This worksheet adds the cumulative dimension to standard reconciliation. Each category carries six numbers instead of three: budget and actual for the current month, budget and actual year-to-date, and a final column asking whether the pattern is recurring. That last column is where the management question lives. A category that has been over budget by 8 percent for four consecutive months is not a monthly variance — it is a structural underestimate that needs a budget adjustment before it compounds further.

## Benefits

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

- Distinguishes between a one-month anomaly and a cumulative drift that signals a wrong budget assumption.
- Surfaces the categories where YTD variance exceeds 15 percent of the full-year budget before the shortfall becomes unrecoverable in the second half of the year.
- Forces a forward question at month-end: does next month's budget still reflect current operating conditions, or does it need to be adjusted before the month opens?
- Builds the three-year historical data set that makes financial projections defensible to banks and investors.
- Reveals underspending as clearly as overspending — a favorable YTD variance on a necessary cost category often means deferred work that will arrive as a larger cost in a later month.

## Framework To Use

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### — MTD + YTD Double-Column Read

*Read the YTD column first. It reveals the trend; the MTD column explains the latest data point.*

<u>READ YTD FIRST</u>	<u>THEN READ MTD</u>	<u>THEN ASK: RECURRING?</u>
<p>YTD variance tells you whether a category is tracking above or below plan for the year. A small MTD variance can hide a large cumulative drift in either direction.</p>	<p>MTD variance explains the most recent month. Is this month better or worse than the YTD trend? If MTD is improving while YTD is still unfavorable, recovery is in progress.</p>	<p>A category over budget for three or more consecutive months is a structural issue, not a timing difference. It needs a budget adjustment, not another month of monitoring.</p>

## How To Use

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

- 1** Wait until the bank statement for the last day of the month is confirmed. Do not start the reconciliation from estimates.
- 2** Fill in the current month's budget and actual columns for each category. Calculate MTD variance as before.
- 3** Add this month's actual to the running YTD actual total. Add this month's budget to the running YTD budget total. Calculate YTD variance.
- 4** Read the YTD variance column before the MTD column. Any YTD variance above 15 percent of the full-year budget for a given category needs a documented cause and a forward adjustment decision.
- 5** For each category with a material YTD variance, fill in the Recurring? column: 'Yes — adjust budget,' 'Timing difference — self-corrects,' or 'Investigating.'
- 6** Scan for large YTD favorable variances as carefully as unfavorable ones. A significant underspend in a maintenance or marketing category typically means deferred work arriving later — write the month you expect it to land.
- 7** After completing all rows, answer one question: does next month's budget still reflect current conditions? If any row has a 'Yes — adjust budget' entry, make that adjustment before closing the worksheet.
- 8** File the worksheet with the month label. This document is the source data for any rolling forecast update this month.

## Example Use

*A manufacturing business closes June — halfway through the fiscal year. The owner runs the YTD reconciliation for the first time this year, using the previous five months of filed monthly worksheets to build the YTD totals.*

Revenue YTD: Budget \$540,000 (six months at \$90,000). Actual \$497,000. YTD variance: \$43,000 unfavorable — 8 percent below plan. MTD for June: \$82,000 against \$90,000 budget — consistent with the prior months. Recurring? Yes. The owner notes that the revenue assumption was built on a \$90,000 monthly average from last year, but a major customer reduced order volume in February. The six-month pattern makes clear this is structural, not timing.

Raw materials YTD: Budget \$198,000. Actual \$214,000. YTD variance: \$16,000 unfavorable — 8 percent over plan. MTD for June: \$36,000 against \$33,000 budget. Recurring? Yes — supplier prices increased in March and have not reversed. The owner adjusts the July through December raw materials budget from \$33,000 to \$36,500 per month before closing the session.

Marketing YTD: Budget \$36,000. Actual \$19,200. YTD favorable by \$16,800 — 47 percent underspend. The owner checks: the digital agency contract was paused in March when cash was tight. It has not been restarted. This is not a savings — it is deferred spending. The owner writes 'Agency restart planned for August — expect \$8,000 catch-up in that month.'

After the full review, the owner adjusts three forward budget lines and updates the rolling forecast with the corrected revenue and materials assumptions. The session takes 45 minutes because it is the first time six months of data have been assembled. Future months will take 20 minutes.



## Reflection Prompts

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

1. Read the YTD variance column before reading the MTD column. A small MTD variance can mask a large cumulative drift. Any YTD variance above 15 percent of the full-year budget for a given category needs a documented cause and a forward adjustment.

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2. Which category has the largest YTD favorable variance? Investigate before treating it as a win — underspending in a necessary category often means deferred work that will appear as a larger cost in a later month.

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3. After completing the sheet: does next month's budget still reflect current operating conditions, or do any rows need to be adjusted before the month starts? Write the adjustments now, not after next month's actuals arrive.

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# Tips and Traps

## TIPS

- The first time you build the YTD totals will take longer than subsequent months because you are assembling prior data. Do it once; every month after that is an addition, not a rebuild.
- Set the 15 percent YTD threshold as your default trigger, then tighten it for your largest single cost category to 10 percent once you have six months of baseline. Larger lines deserve closer scrutiny.
- When a favorable YTD variance appears, write the month you expect the deferred spend to land. If you cannot name a month, it may be a genuine saving — but confirm that before treating it as one.

## TRAPS

- Reading only the MTD column and missing a cumulative drift that has been building for months. A category at 7 percent over budget for five straight months is a 35 percent problem hiding behind monthly numbers that each look manageable.
- Adjusting the budget to match the actuals without understanding why the actuals are where they are. If raw material costs are running 12 percent over budget, the right response is to understand the cause — price increase, volume change, supplier mix — before adjusting. An unexplained budget adjustment is not management; it is acceptance.
- Filing the worksheet but not using it as the input for the rolling forecast update. These two tools feed each other. A reconciliation worksheet that does not update the forecast is doing half the job.

# Appendixes

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## Appendix A – YTD Variance Severity Guide

YTD variance as a % of full-year budget for that category:

- < 10% : within normal range; note and monitor
- 10-15% : material; requires documented cause in this session
- 15-25% : significant; requires a budget adjustment OR a documented explanation of why it will self-correct and by when
- > 25% : critical; requires operational response this month, not at next month's review

For YTD favorable variances (underspend):

Same thresholds apply.

Determine whether underspend is: (a) genuine saving, (b) deferred spend arriving later, or (c) a planned cost that was not executed.

Each has a different forward implication.



WHERE THIS WORKSHEET COMES FROM

## Budget Forecasting Methods

*A Budget Never Revised Is Fiction That Gets Funded*

by Ibrahim Anwar

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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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