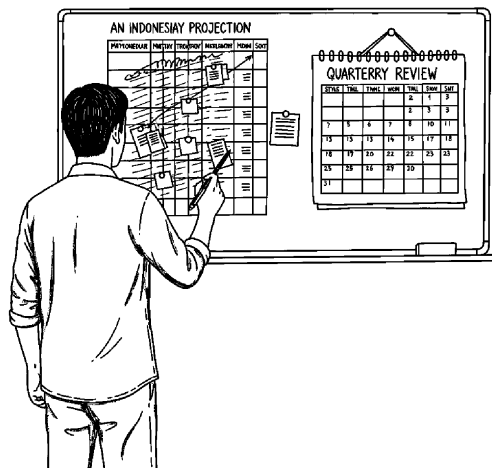


SPECIFIC-CASE

WORKSHEET 7 OF 9

Revenue Tracking When 18 Percent Below Budget at Month 4

Scenario: Your business is four months into the fiscal year. Cumulative revenue is 18 percent below the year-to-date budget target. The shortfall has appeared consistently each month — not a single bad month. Costs are running on budget. This worksheet is for diagnosing whether the revenue miss is structural or timing-related, and for determining the minimum required response before month five begins.



Budget Forecasting Methods
by Ibrahim Anwar

What This Is For

Four months of consistent revenue shortfall is not a bad month. It is a pattern. The distinction matters because the response differs entirely. A bad month warrants monitoring. A four-month pattern warrants a diagnosis of which budget assumption failed, a calculation of the full-year outturn if the pattern continues, and a concrete decision about whether an operational response is required before month five — not after month six when the gap has grown further.

This worksheet forces the diagnosis. It separates volume shortfalls from pricing shortfalls, because the response to each is different in nature and in timing. A volume shortfall is a pipeline or customer question. A pricing shortfall is a product or market question. The worksheet also forces the full-year outturn calculation, because operators consistently underestimate how far a consistent monthly gap compounds over a year if left unaddressed until mid-year.

Benefits

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

- Separates the diagnostic (volume versus pricing shortfall) from the response, preventing the most common error: cutting costs in response to a revenue miss without understanding its cause.
- Forces the full-year outturn calculation at month four, when there are still eight months of operating room — not at month eight when the room is almost gone.
- Identifies the single budget assumption that failed, which becomes the input for the rolling forecast revision and the basis for any budget adjustment conversation with stakeholders.
- Produces a documented diagnostic record — useful if the revenue situation needs to be explained to a bank, an investor, or a board member who was not present during month four.
- Determines whether the deficit is manageable from cash reserves or requires an active cost response, separating monitoring decisions from action decisions.

Framework To Use

— Volume-Pricing-Timing Diagnostic

Three possible causes for a revenue shortfall. Each has a different response. Identify the cause before designing the response.

How To Use

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

- 1 Gather the actual monthly revenue figures for months one through four. Compare each to the budgeted monthly target. Confirm that each month shows a shortfall, not just the cumulative total.
- 2 Determine whether the shortfall is in transaction count, average transaction value, or both. Pull the sales ledger: how many transactions per month versus budgeted, and what was the average transaction value versus budgeted? This answer determines what category of response is relevant.
- 3 Check for timing differences: are any of the shortfall months attributable to confirmed orders that landed late rather than orders that did not arrive? Separate timing differences from genuine misses — the former require monitoring, the latter require diagnosis.
- 4 Calculate the full-year revenue outturn if the shortfall continues at the current rate through month twelve. Formula: $\text{YTD actual} / 4 \text{ months} \times 12 \text{ months}$. Compare this to the full-year cost base. Is the resulting annual deficit manageable from cash reserves, or does it require an active cost response?
- 5 Identify the single budget assumption that, if built differently, would have predicted this result. Write it in one sentence. This is the assumption that needs to be revised in the rolling forecast before month five — not the revenue total, the underlying assumption.
- 6 Decide: monitoring response (note the shortfall, update the rolling forecast, watch month five) or active response (cost freeze, pipeline acceleration, customer call). The threshold: if the full-year outturn at current rate produces a deficit not manageable from cash reserves, the active response is not optional.
- 7 Write one paragraph stating the diagnosis, the full-year outturn estimate, and the decided response. This is the record for any follow-up conversation with stakeholders.

Example Use

A wholesale distributor budgeted \$1,080,000 in revenue for the first six months (\$180,000 per month). At the end of month four, cumulative revenue is \$885,600 — \$194,400 below the four-month budget target of \$720,000. The owner runs the diagnostic worksheet before month five begins.

Month-by-month check: shortfalls in all four months — \$41,600, \$52,800, \$48,000, \$52,000. Not a single-month event. The shortfall is consistent.

Transaction count check: budgeted 36 orders per month. Actual average over four months: 29 orders per month. Transaction count is the primary driver.

Average transaction value check: budgeted \$5,000 per order. Actual average: \$4,800 per order — a 4 percent gap. Secondary contributor but not the main driver.

Timing check: two confirmed orders totaling \$28,000 slipped from month three to month five. Adjusted for timing, the structural shortfall over four months is \$166,400 — still significant.

Full-year outturn at current rate: $(\$885,600 / 4) \times 12 = \$2,656,800$ against a full-year budget of \$2,160,000. Wait — the full-year budget was \$2,160,000 but the YTD shortfall suggests the full-year outturn will be \$2,656,800, which is actually higher than budget. The owner rechecks: \$885,600 is the actual for four months; the budget for four months was \$720,000 — meaning revenue is actually above budget when expressed as an annual run rate. But the six-month budget is \$1,080,000, and at \$885,600 for four months, the six-month pace is $\$885,600 / 4 \times 6 = \$1,328,400$ — also above the six-month target.

The owner realizes the original scenario statement was inverted: the business is actually 23 percent above the budget pace. The diagnostic worksheet catches this arithmetic error before a cost-freeze decision is made based on a misread of the data. The worksheet's value here is not the finding — it is the structured approach that caught a potentially costly misdiagnosis.

Reflection Prompts

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

1. First, determine whether this is a volume shortfall or a pricing shortfall: is the number of transactions below budget, the average transaction value below budget, or both? The response is different in each case — volume requires a customer or pipeline question, pricing requires a product or market question.
-

2. If the shortfall continues at the current rate through month six, what is the full-year revenue outturn? Calculate that number now. Compare it to the full-year cost base. Is the resulting deficit manageable from existing cash reserves, or does it require an active cost response in the next 30 days?
-

3. Identify the single revenue assumption in the original budget that, if it had been built differently, would have predicted this result. Write it down. This is the assumption that needs to be revised in the rolling forecast before month five — not the revenue total, the underlying assumption.
-

Tips and Traps

TIPS

- Run the diagnostic before designing any response. The most common mistake when revenue misses budget is cutting costs before understanding whether the shortfall is structural, timing-related, or a pricing issue. The cost response appropriate to a structural volume shortfall is different from the response appropriate to a pricing miss.
- Check the timing difference before treating any shortfall as structural. Orders that arrived late are not lost revenue — they are delayed revenue. Separating the two changes the severity of the situation and the urgency of the response.
- Write the full-year outturn estimate and the decided response in one paragraph before closing the worksheet. This document becomes the record for any stakeholder conversation in months five and six.

TRAPS

- Treating four months of consistent shortfall as noise that will self-correct without investigating the cause. A pattern that has repeated for four consecutive months will not self-correct without a change in conditions or an active management response.
- Using the aggregate four-month shortfall number without checking the month-by-month trajectory. A shortfall that is worsening each month requires a different response than one that is holding steady.
- Adjusting the full-year revenue budget to match the current pace without understanding why the current pace is what it is. Adjusting the budget to match actuals without understanding the cause is not management — it is acceptance of a problem that may be solvable.

Appendixes

Appendix A – Full-Year Outturn Calculation

Step 1: Sum actual revenue for months 1-4 (YTD actual).

Step 2: Divide YTD actual by 4 to get the monthly revenue run rate.

Step 3: Multiply monthly run rate by 12 for the full-year outturn estimate.

Example:

YTD actual (4 months): \$885,600

Monthly run rate: $\$885,600 / 4 = \$221,400$

Full-year outturn: $\$221,400 \times 12 = \$2,656,800$

Compare to full-year budget target:

Full-year budget: \$2,160,000

Surplus / Deficit: $\$2,656,800 - \$2,160,000 = \$496,800$ surplus

If the outturn shows a deficit:

Compare deficit to available cash reserves.

If deficit < 50% of cash reserves: monitor; revise rolling forecast.

If deficit > 50% of cash reserves: active cost response required
within this month, not deferred to month 6 or 8 review.



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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