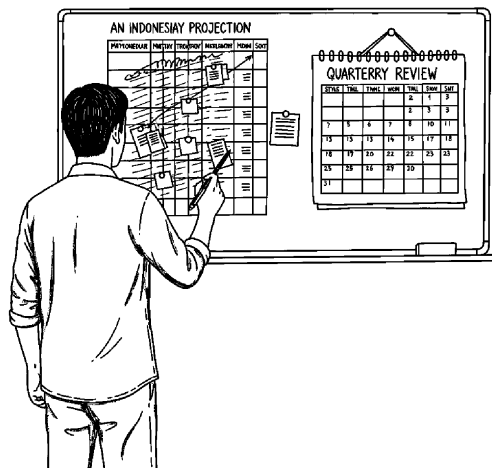


SPECIFIC-CASE

WORKSHEET 8 OF 9

Windfall Allocation When Cash Increases 25 Percent Above Budget

Scenario: An unexpected contract payment, a favorable tax ruling, or a large bulk order has landed 25 percent more cash into the business than your current-month budget anticipated. The windfall is confirmed and in the bank account. This worksheet is for allocating it deliberately rather than letting it absorb into general operating spend.



Budget Forecasting Methods
by Ibrahim Anwar

What This Is For

Unexpected cash is one of the most mismanaged financial events in a small to mid-sized business. Not because operators are irresponsible with it, but because there is no standing process for deliberate allocation. The money arrives, it sits in the current account, and within 60 days it has been absorbed into general operating spend — supplier payments, a new purchase that felt justified, payroll for a hire that was already planned. No single decision was wrong. Collectively, the windfall was allocated by accident rather than intention.

This worksheet creates the deliberate allocation session. Before any of the windfall moves, three questions are answered in writing: are there underfunded recurring obligations that should be made whole first? Does the source of the windfall reveal that a budget assumption was too conservative, and if so, does the rolling forecast need updating? And for any new allocation category, what is the exit condition — the result by which date that would cause you to stop the spending?

Benefits

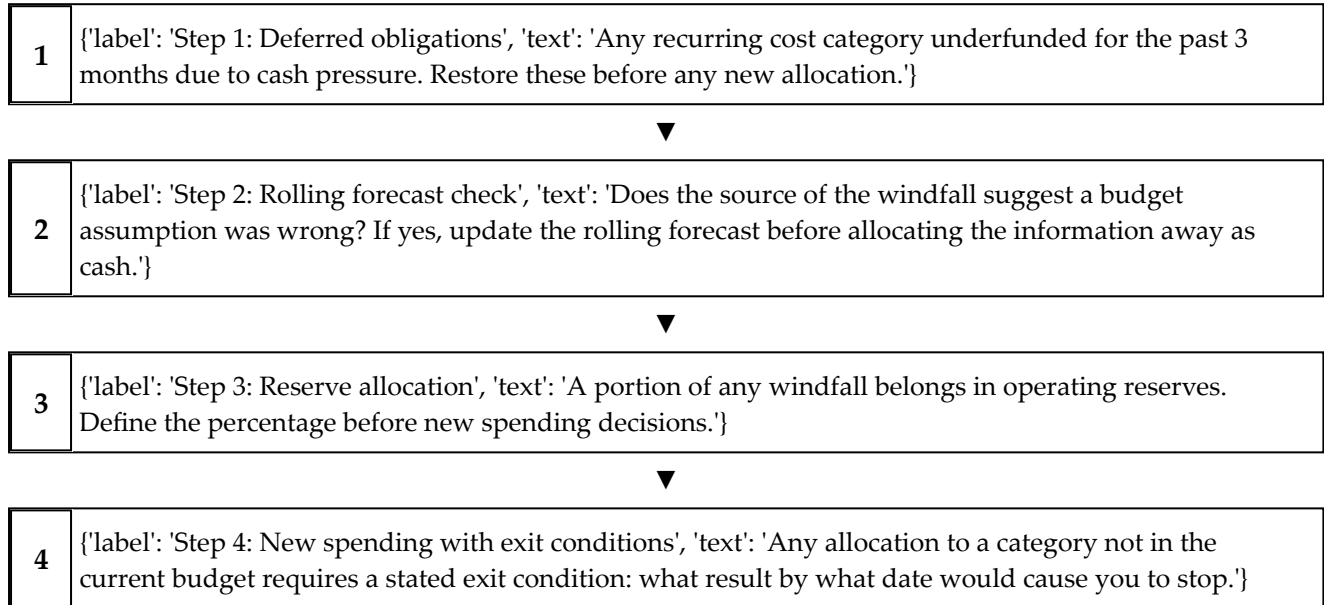
What you get when you actually run this worksheet on a real situation:

- Prevents windfall absorption into general operating spend, which leaves no record and no management decision behind the allocation.
- Prioritizes underfunded recurring obligations over new spending — restoring necessary categories that were deferred when cash was tight produces more operational stability than adding new costs.
- Forces the exit condition to be written at the time of allocation, not after the money has been spent and the results are being evaluated.
- Identifies whether the windfall is truly one-time cash or evidence that a budget assumption was wrong — the latter requires a rolling forecast update, not just an allocation decision.
- Produces a documented allocation record that is useful for reconciliation, for tax treatment of certain categories, and for any future conversation about where the cash went.

Framework To Use

— Windfall Allocation Priority Order

Allocation order matters. Deferred obligations first. Rolling forecast update second. New spending with exit conditions third.



How To Use

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

- 1** Confirm the windfall amount and its source. Is this a one-time payment unlikely to recur, or is it a recurring event that the budget failed to capture?
- 2** Before allocating anything, check the past three months of reconciliation worksheets. Is there a recurring cost category that has been underfunded because cash was tight — not because it was discretionary? List those categories and the deferred amounts. These are the first allocation, ahead of new spending.
- 3** Assess the windfall source: does it suggest that a budget assumption was too conservative? If a new contract delivered \$40,000 more than projected, and the contract terms remain, the rolling forecast needs to reflect that the annual revenue assumption was underestimated — the windfall is information as much as it is money.
- 4** Allocate a defined percentage to operating reserves before any other decision. Write the percentage and the amount. This is not negotiable at the session level — the reserve percentage should be a standing policy, not a per-windfall decision.
- 5** For any allocation to a category not currently in the budget, state the exit condition at the time of allocation: what result by what date would cause you to stop the spending? Write it in the Reversibility column before approving the category.
- 6** For any allocation to a category already in the budget, check whether the addition changes the budget line for the remainder of the year. If yes, update the budget before closing the worksheet.
- 7** Total all proposed allocations. Confirm the total equals the windfall amount. Any unallocated remainder goes to operating reserves by default.

Example Use

A retail business receives an unexpected bulk order payment of \$62,500 in October — 26 percent above the month's budgeted revenue. The payment is confirmed and in the account. The owner runs the allocation worksheet before making any spending decisions.

Step 1 — deferred obligations check: the reconciliation worksheets show that the digital marketing budget has been running at 40 percent of the planned amount for three months because cash was tight in Q3. The planned monthly amount was \$3,200; actual spend averaged \$1,280. Deferred amount over three months: \$5,760. First allocation: restore \$5,760 to marketing — not new spending, restoration of a planned budget line.

Step 2 — rolling forecast update: the bulk order came from a new wholesale customer who has indicated quarterly orders at this volume going forward. If confirmed, the annual revenue assumption in the rolling forecast needs to increase by $\$62,500 \times 3$ remaining quarters = \$187,500 for the current year, and a new line added to next year's forecast. The owner updates the rolling forecast and notes: 'Wholesale channel — new customer confirmed Q4 and forward. Revenue assumption revised. Allocation of this payment is operational; the forecast implication is separate.'

Step 3 — reserve allocation: standing policy is 20 percent of any windfall to operating reserves. Allocation: \$12,500 to reserves.

Step 4 — remaining \$44,240: the owner has been planning a website redesign budgeted at \$18,000 but deferred for two quarters. Allocation: \$18,000 to website project with exit condition: 'If vendor deliverables are not met by agreed milestone dates, project paused and remaining funds returned to operating account.' Remaining \$26,240 allocated to additional stock purchase ahead of peak season — an existing budget category; the addition is noted in the December budget column.

The Worksheet

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

Windfall Allocation When Cash Increases 25 Percent Above Budget

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ALLOCATION CATEGORY	PROPOSED AMOUNT (\$)	RATIONALE (ONE SENTENCE)	REVERSIBILITY IF CONDITIONS CHANGE

Reflection Prompts

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

1. Before allocating any of the windfall: is there a recurring cost category that has been underfunded for the past three months — not because it was discretionary, but because cash was tight? Underfunded recurring costs should be the first allocation, ahead of new spending. Write those categories and their deferred amounts before touching this worksheet.
-

2. Identify the portion of the windfall that represents genuinely one-time cash versus an indication that a budget assumption was wrong. If the source of the windfall suggests the revenue assumption in the budget was too conservative, the rolling forecast needs to be updated — the windfall is information, not just money.
-

3. For any allocation to a new category not in the current budget: state the exit condition. If you allocate \$X to a pilot marketing channel, what result by what date would cause you to stop? Write the exit condition at the time of allocation, not after the money has been spent.
-

Tips and Traps

TIPS

- Set the reserve allocation percentage as a standing policy before any windfall arrives. A decision made under the pressure of unexpected cash tends to allocate too little to reserves. 15 to 25 percent is the typical range depending on cash position.
- Check whether the windfall source changes any forward budget assumption before deciding the allocation. The cash and the information it carries are two separate things; handle both in the same session.
- Write the exit conditions for new spending categories before the allocation is approved, not after the spending has begun. An exit condition written after the money is spent is a postmortem, not a decision.

TRAPS

- Treating windfall cash as a bonus pool for new initiatives without first making underfunded necessary categories whole. Restoring a deferred maintenance budget or a deferred marketing line is less exciting than a new project, but it is the higher-priority allocation.
- Allocating the windfall across several new categories without checking whether each new category creates a recurring cost obligation. A one-time windfall spent on a new recurring cost (a new subscription, a new hire) creates a forward obligation the budget will need to carry without another windfall to fund it.
- Skipping the rolling forecast update when the windfall source suggests a revenue assumption was wrong. The money arrives once; the corrected forecast assumption affects every subsequent month's projection.

Appendixes

Appendix A – Windfall Allocation Sequence Checklist

- [] Confirm windfall amount and source in writing.
- [] Check last 3 months of reconciliation: underfunded recurring categories?
If yes, list categories and deferred amounts → allocate first.
- [] Assess whether windfall source indicates a wrong budget assumption.
If yes, update rolling forecast before finalizing allocation.
- [] Apply standing reserve allocation percentage: ____% = \$_____
- [] List remaining allocation categories:
Category / Amount / Rationale / Exit condition (if new category)
- [] Confirm total of all allocations = windfall amount.
Any remainder → operating reserves by default.
- [] For each new budget category created: enter into budget for remaining months of the year before closing session.



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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