

Simple Budget Operating Rhythm

Use the method

Turn a budget into a recurring plan-and-review process. Use this for one household or small operation when a static plan no longer matches real activity. The result is a period plan, a comparison with actual cash movements, and a revised next-period view. This worksheet is for cash planning, not a profit statement or investment, debt, tax, or financial recommendation.

- 1. Set a period and basis.** Choose a month or other useful period and use a cash basis consistently. Separate actual cash, confirmed future commitments, and estimates. Start with a verified opening cash balance.
- 2. Plan movements.** Record expected receipts and outflows by useful category. Show one-time items and transfers clearly. Do not count an invoice as cash received before payment arrives.
- 3. Calculate the plan.** Planned closing cash equals opening cash plus planned receipts minus planned outflows. For a combined account view, eliminate transfers within those included accounts so they are not double counted.
- 4. Review during the period.** At a short weekly check, record actual movements and upcoming commitments. Investigate differences and update the forecast without overwriting the original plan.
- 5. Compare and decide.** For each line, actual minus plan is the arithmetic variance. Explain whether the difference came from timing, amount, omission, or a changed assumption; the sign alone does not mean good or bad.
- 6. Close and roll forward.** Reconcile the ending cash to the source records, carry the verified balance forward, and adjust next period assumptions. Assign one action and the next review date.

Worked example

Illustrative monthly plan: opening cash \$1,000, planned receipts \$3,000, planned outflows \$2,500. Planned closing cash is \$1,500.

Actual receipts are \$2,800 and actual outflows are \$2,600. Actual closing cash is $\$1,000 + \$2,800 - \$2,600 = \$1,200$. Receipt variance is $-\$200$; outflow variance is $+\$100$; closing cash is \$300 below plan.

The \$200 receipt shortfall is a late customer payment, so it remains a receivable rather than cash. The \$100 additional outflow is an omitted renewal. Both explanations are recorded.

The next forecast starts from verified \$1,200 cash and shows the late receipt as an estimate until confirmed. The owner adds the renewal to the recurring commitments list and schedules a receivables follow-up.

Before you put it to work

- ☐ Period, cash basis, and included accounts are explicit.
- ☐ Opening and actual closing balances are verified.
- ☐ Original plan and revised forecast remain distinguishable.
- ☐ Variances have explanations, actions, and owners.

If the problem keeps returning

If the plan is repeatedly inaccurate, check omitted recurring bills and optimistic receipt timing first. Simplify categories and update assumptions from actual records rather than changing historical actuals.

Connect the tools

Use MF-03 for weekly cash, MF-05 for unpaid invoices, and MF-06 for upcoming bills.

Working worksheet

Name or team _____ Date _____

Scope and setup

Period, included account nicknames, verified opening cash, source date, plan owner, and weekly review time.

Reusable record

Cash movement	Original plan	Actual	Actual minus plan	Revised forecast	Reason

Duplicate rows or this worksheet for additional records.

Use your own records. The examples on page 2 are illustrative. Continue on a duplicate worksheet when you need more space.

Complete and review

Cash calculation

Opening cash plus receipts minus outflows; planned, actual, and forecast closing balances. Identify internal transfers excluded.

Variance decisions

Line, amount, timing or assumption cause, supporting record, next action, owner, and due date.

Next period

Verified opening balance, changed assumptions, known commitments, unresolved estimates, and next review date.

Review after use

What assumption caused the largest useful variance? _____

What actual balance was reconciled? _____

What changes before the next period starts? _____

Next action _____ Owner _____ Due _____