

Budgets – G – Operating Expenses

Accounting presentation created by
Rex A Schildhouse
2015-01-01
www.schildhouse.com



Budgets – G – Operating Expenses

- The Operating Expense Budget mimics the FOH / MOH Budget – Variable and fixed expenses.

Miramar Merchandising Services, Inc.				
Operating Expense Budget				
For the Quarter ending March 31, 2015				
	January	February	March	Quarter
Sales in cases:	4,000	4,150	4,025	12,175
Variable operating expenses:				
Sales commissions:	\$1,000.00	\$1,037.50	\$1,006.25	\$3,043.75
Shipping expenses:	3,000.00	3,112.50	3,018.75	9,131.25
Bad debt expense:	1,275.00	1,322.81	1,282.97	3,880.78
Total variable operating expenses:	\$5,275.00	\$5,472.81	\$5,307.97	\$16,055.78
Fixed operating expenses:				
Salaries:	\$40,000.00	\$40,000.00	\$40,000.00	\$120,000.00
Office rent:	8,000.00	8,000.00	8,000.00	24,000.00
Depreciation:	14,750.00	14,750.00	14,750.00	44,250.00
Advertising:	750.00	750.00	750.00	2,250.00
Communications:	275.00	275.00	275.00	825.00
Total fixed operating expenses:	\$63,775.00	\$63,775.00	\$63,775.00	\$191,325.00
Total operating expenses:	\$69,050.00	\$69,247.81	\$69,082.97	\$207,380.78

Budgets – G – Operating Expenses

- The setup has to tell us most of the information we need.
- Again, we may need to decide if the expense is variable or fixed.
- Clue - Variable expenses per item are usually lower than fixed expenses for the period.

Sales commissions per case:		\$0.25
Shipping expense per case:		\$0.75
Bad debt expense:	1%	of credit sales.
Salaries:		\$4.00
Office rent:		\$1.00
Depreciation:		\$1,250.00
Advertising:		\$750.00
Communications:		\$275.00

Budgets – G – Operating Expenses

- The change is that the Operating Expenses Budget is based on sales rather than production.
- The first step is Sales in Cases multiplied by the Per Case operating expenses.

Sales commissions per case:		\$0.25
Shipping expense per case:		\$0.75
Bad debt expense:	1%	of credit sales.

	January	February	March	Quarter
Sales in cases:	4,000	4,150	4,025	12,175
Variable operating expenses:				
Sales commissions:	\$1,000.00	\$1,037.50	\$1,006.25	\$3,043.75
Shipping expenses:	3,000.00	3,112.50	3,018.75	9,131.25
Bad debt expense:	1,275.00	1,322.81	1,282.97	3,880.78
Total variable operating expense	\$5,275.00	\$5,472.81	\$5,307.97	\$16,055.78

Budgets – G – Operating Expenses

- These line items are totaled into the variable operating expenses for the periods.

Sales commissions per case:		\$0.25
Shipping expense per case:		\$0.75
Bad debt expense:	1%	of credit sales.

	January	February	March	Quarter
Sales in cases:	4,000	4,150	4,025	12,175
Variable operating expenses:				
Sales commissions:	\$1,000.00	\$1,037.50	\$1,006.25	\$3,043.75
Shipping expenses:	3,000.00	3,112.50	3,018.75	9,131.25
Bad debt expense:	1,275.00	1,322.81	1,282.97	3,880.78
Total variable operating expense	\$5,275.00	\$5,472.81	\$5,307.97	\$16,055.78

Budgets – G – Operating Expenses

- Fixed operating expenses are not related to the quantity of cases sold.
- These are simply applied.
- Then a total per fiscal period is determined.

Fixed operating expense:	170	100 credit
Salaries:		\$40,000.00
Office rent:		\$8,000.00
Deprecation:		\$14,750.00
Advertising:		\$750.00
Communications:		\$275.00

Fixed operating expenses:	January	February	March	Quarter
Salaries:	\$40,000.00	\$40,000.00	\$40,000.00	\$120,000.00
Office rent:	8,000.00	8,000.00	8,000.00	24,000.00
Deprecation:	14,750.00	14,750.00	14,750.00	44,250.00
Advertising:	750.00	750.00	750.00	2,250.00
Communications:	275.00	275.00	275.00	825.00
Total fixed operating expenses:	\$63,775.00	\$63,775.00	\$63,775.00	\$191,325.00
Total operating expenses:	\$69,050.00	\$69,247.81	\$69,082.97	\$207,380.78

Budgets – G – Operating Expenses

- With variable and fixed expenses totals, the total operating expenses is calculated.
- Line totals are the sum of the lines for the periods.

	January	February	March	Quarter
Sales in cases:	4,000	4,150	4,025	12,175
Variable operating expenses:				
Sales commissions:	\$1,000.00	\$1,037.50	\$1,006.25	\$3,043.75
Shipping expenses:	3,000.00	3,112.50	3,018.75	9,131.25
Bad debt expense:	1,275.00	1,322.81	1,282.97	3,880.78
Total variable operating expenses:	\$5,275.00	\$5,472.81	\$5,307.97	\$16,055.78
Fixed operating expenses:				
Salaries:	\$40,000.00	\$40,000.00	\$40,000.00	\$120,000.00
Office rent:	8,000.00	8,000.00	8,000.00	24,000.00
Deprecation:	14,750.00	14,750.00	14,750.00	44,250.00
Advertising:	750.00	750.00	750.00	2,250.00
Communications:	275.00	275.00	275.00	825.00
Total fixed operating expenses:	\$63,775.00	\$63,775.00	\$63,775.00	\$191,325.00
Total operating expenses:	\$69,050.00	\$69,247.81	\$69,082.97	\$207,380.78

Budgets – G – Operating Expenses

- The key is to follow the format not the pattern.
- The pattern has been based on production, until this budget, which, constrained by periods due to operating expenses, is based on sales.

Budgets – G – Operating Expenses

- Last look at the complete Operating Expense Budget.

Miramar Merchandising Services, Inc.				
Operating Expense Budget				
For the Quarter ending March 31, 2015				
	January	February	March	Quarter
Sales in cases:	4,000	4,150	4,025	12,175
Variable operating expenses:				
Sales commissions:	\$1,000.00	\$1,037.50	\$1,006.25	\$3,043.75
Shipping expenses:	3,000.00	3,112.50	3,018.75	9,131.25
Bad debt expense:	1,275.00	1,322.81	1,282.97	3,880.78
Total variable operating expenses:	\$5,275.00	\$5,472.81	\$5,307.97	\$16,055.78
Fixed operating expenses:				
Salaries:	\$40,000.00	\$40,000.00	\$40,000.00	\$120,000.00
Office rent:	8,000.00	8,000.00	8,000.00	24,000.00
Depreciation:	14,750.00	14,750.00	14,750.00	44,250.00
Advertising:	750.00	750.00	750.00	2,250.00
Communications:	275.00	275.00	275.00	825.00
Total fixed operating expenses:	\$63,775.00	\$63,775.00	\$63,775.00	\$191,325.00
Total operating expenses:	\$69,050.00	\$69,247.81	\$69,082.97	\$207,380.78

Budgets – G – Operating Expenses

- The next recommended presentation is Budgets – H for Cash Collections.
- This is a one step at a time process.
- Do not rush it.

Budgets – G – Operating Expenses

The end.