

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Conversely, a budget is not always used by businesses and is not as important.

Sep. 08, 2015



How to Differentiate between Business Forecasting and Budgeting

9/4/15

As a CFO, I am frequently asked what the differences are between a forecast and a budget. Think of a forecast as what you want to happen in the future, while a budget helps you manage what will happen now. These are two financial planning tools business personnel may use in the decision-making process.

Here are some characteristics of a forecast:

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

and business plans. Companies may update their forecasting models perhaps monthly or quarterly.

Here are some characteristics of a budget:

- A budget estimates the amount of revenues and expenses a company may incur over a future period of time. A company's budget is usually updated once per fiscal year.
- The budget is compared to actual results to determine variances from expected performance.
- Budgeting represents a business' financial position, cash flows and goals.
- A budget may trigger changes in performance compensation paid to employees.
- The management team may bring actual results back into line with a budget.

In summary, forecasting is a more useful tool than budgeting. A forecast provides a short-term representation of the actual circumstances and can be used to take immediate action. On the other hand, a budget may contain targets that are not achievable, or market circumstances have changed so much that it is not wise to attempt to achieve.

Forecasting is one function that business owners and investors can appreciate. Conversely, a budget is not always used by businesses and is not as important.

Brian Baker, CPA, is the CFO at [Fusion CPA](#), a full-service, Atlanta-based accounting and tax consultancy.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us