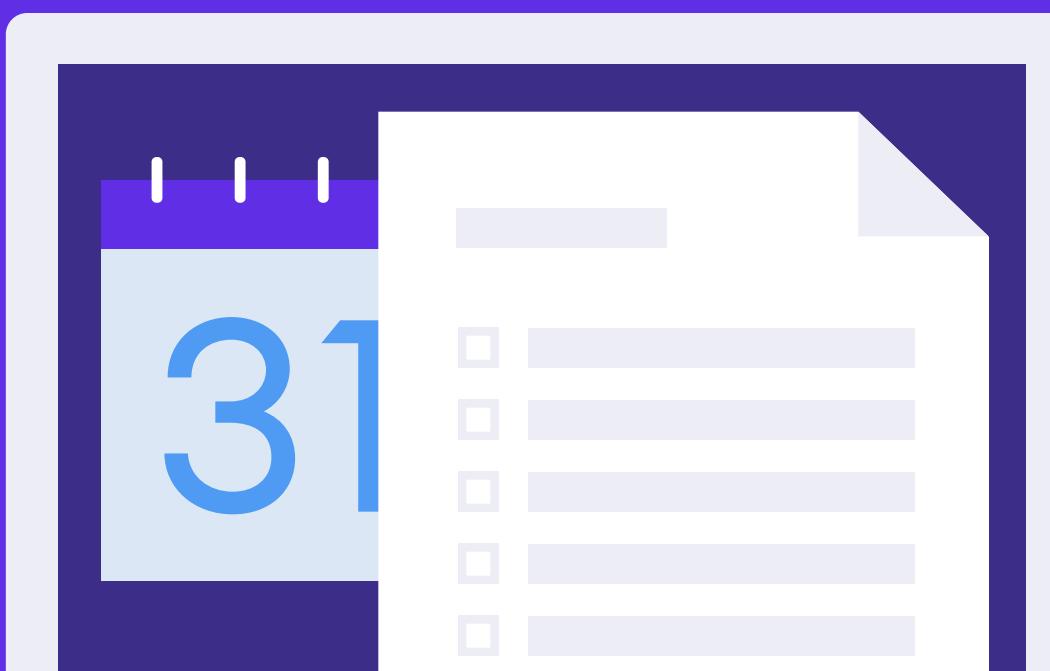




# Annual Budgeting & Forecasting Checklist 2022

Setting up your business's budget can be a complex task, and it's not always clear where to start. Use this checklist to understand what questions you and your team should be asking yourselves, as well as the kind of information you'll need to create an effective budget.





## General Questions

Building a robust annual budget allows you to translate the strategic plans of your business into financial outcomes. By flowing decisions, such as a pricing change, launching a new product, and expanding hiring, through a well-built financial model, you can ensure that the company can scale sustainably and have visibility into the additional funds that are needed to finance your strategic priorities.

- What are the main metrics that must be met for your next milestone event, such as your next VC round?
  - What does best-in-class acquisition, retention, and expansion look like?
  - What revenue, margin, and unit economics profile do you need to achieve in 2022?
- What are the major strategic initiatives that your business must execute to achieve these metrics? How much investment needs to be made to finance these initiatives?
- Are there areas that warrant further investment? Are there areas in which investments should be pulled back?
- Who are the key decision makers and approvers for the budget?
- When is the budget deadline?
- When should the budget be revisited?

### Further Reading

#### [How to Create \(and Use\) Your Business's Budget →](#)

Learn what goes into a business budget, how it can help you better understand your company's health, and what you need to do next to meet your growth goals.



## Income Statement

A good income statement can translate non-financial KPIs, such as users, average order value, and retention, into financial outcomes. This provides tangible goals for your operating teams and deeper insight into why a specific financial metric may have beat or missed target.

### Revenue

- What are your customer acquisition growth goals?
  - How much should be spent on sales and marketing to finance the acquisition?
- How much is retention and upsell expected to change through 2022?
  - What are the product and processes changes that you think will impact retention and by how much?
- Are there any plans and pricing changes?

### Operating Expenses

- What's the hiring plan for employees, including any major/executive hires?
  - What additional office and technology expenses do new hires incur?
- Do you have an updated hiring plan for contractors?
- Are there areas where the business can find savings?
  - Are vendors being underutilized, or can their contracts be re-negotiated?
  - Are there expenditures that can be made more efficient?
- Any major rate increases with existing expenses?
  - Are any vendors likely to change pricing? Are you planning to switch to lower-cost vendors? If there is a tradeoff of cost vs. quality, what is the revenue impact?
- How much are you budgeting for "corporate contingency" or a buffer fund for inevitable unexpected expenses or opportunistic areas for investment?



## Income Statement (con't)

### Net Income

- Are you expecting to hit profitability in 2022?
- Is there an expected operating margin goal that you need to hit?

### Further Reading

#### [How to Read a P&L Statement →](#)

Learn what information is included in your profit and loss statement, also known as an income statement, and how it helps you run your business better.

#### [The Four Basic Financial Statements →](#)

Learn the purpose of each financial statement, how to read them, and how they work together to give you a more complete picture of the state of your business.



## Balance Sheet

The balance sheet reflects ongoing working capital needs and the blend of debt and equity you plan to finance for the growth of your business.

### Assets

#### Accounts Receivable

- What is the average number of days that it takes to collect on receivables, or the amount of money that customers owe based on the value of what they purchased before that date?

#### Inventory

- What is the average number of days that it takes for inventory to convert to sales?

### Liabilities

#### Accounts Payable

- What is the average number of days that you have to pay your invoices?

### Debt

- Does the business plan to take on any loans?

- What are the payment terms?

- What is the expected interest?

### Unearned revenue

- What is the percentage of customers who prepay?

- Which driver would you like to use to drive unearned revenue?

- Granular revenue schedule (by invoice)

- As a percentage of bookings and billings

### Equity

- Are there any planned / expected fundraising or financing events for 2022? If so, how much?



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