Partial Budget Worksheet

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Purpose

Evaluating the impact on profitability of operational changes. The evaluation is based on assessing four areas of financial impact. They are:

- Positive Financial Changes Coming From:
  1. New or additional revenues that will be generated as a result of the change
  2. Current costs that will be reduced or eliminated as a result of the change
- Negative Financial Changes Coming From:
  3. New or additional costs that will be incurred
  4. Current revenues that will be reduced or eliminated?

If the positive financial changes are greater than the negative financial changes then the alternative is feasible compared to the current situation. This does not make it the best alternative, just a potentially feasible one.

Directions

On the tab titled "Partial Budget Worksheet" complete all yellow-shaded areas.

1. Clearly define the alternative being considered compared to what is done currently and describe it in row 2.
2. Work through the four questions posed in row 4 and identify within each question all physical, labor, and financial changes resulting from the alternative. Be sure to include both those changes that will be new as well as the ones that will be reduced or eliminated. Changes may include number of animals, production practices, new technology, type, quantity and quality of inputs, leasing versus owning, etc. If the change includes reduced, eliminated or new capital assets then fixed costs associated with depreciation, interest, taxes, and insurance must be included. If economic profit versus just accounting or financial profit is to be assessed then opportunity costs of labor, management, and etc. must be included. The tab titled 'Capital Asset Cost Estimator' can be used to estimate capital asset costs.

3. Review the net impact on profitability (row 24)

4. The final step is determining if the net change is positive or negative. If it is positive then on financial grounds it is a feasible alternative given the estimates provided. Other questions to ask might be the certainty of the estimates (is there risk in the estimates) and are there other alternatives that should be considered? Is this the most profitable alternative? What non-economic impacts should be considered such as impact on family time, etc.