Budgeting

Business & Management

The budget types, and what variance analysis actually tells you.

Approaches and what each is for.

Type	Means
Incremental	Last year plus a percentage
Zero-based	Justify every line from zero
Activity-based	Driven by activity volumes
Rolling	Always covers the next n periods
Flexed	Restated at the actual volume

Compare actuals against a flexed budget, not the original. Otherwise every volume change looks like a cost problem.