STANDARD OPERATING PROCEDURE

Budget Preparation SOP

Document no.	SOP-ACC-010
Revision	1.0
Owner	FP&A Manager
Effective date	September 15, 2026
Review cycle	Every 12 months

1. Purpose

To produce an approved annual budget that reflects realistic department plans, ties to prior actuals and revenue forecasts, and is loaded into the accounting system for variance reporting.

2. Scope

Applies to the annual operating budget cycle across all departments. Mid-year forecast updates and capital budgeting for individual fixed asset purchases are covered by separate processes.

Definitions

Budget calendar	The schedule of deadlines and milestones for submitting, reviewing and approving the annual budget.
Variance report	A report comparing actual results to budget so managers can see where spending or revenue differs from plan.

3. Responsibilities

Department Manager	Submits their department's budget request with assumptions and justification.
Budget Analyst	Compiles department budgets, challenges assumptions and reconciles to prior actuals.
Controller	Reviews the compiled budget and presents it to executive leadership.
CFO	Reviews the revenue forecast, approves the final budget and communicates it to leadership.

RACI matrix

Activity	Department Manager	Budget Analyst	Controller	CFO
Issue budget calendar and instructions	I	R	A	I
Submit department budget request	R/A	C	I	-
Compile and challenge budget assumptions	C	R/A	I	-
Approve the final budget	I	C	R	A

Activity	Department Manager	Budget Analyst	Controller	CFO
Load and communicate the approved budget	I	R/A	C	I

R = Responsible, A = Accountable, C = Consulted, I = Informed

4. Materials and PPE

Materials, tools and systems

- Budget calendar
- Budget submission template
- Prior year actuals report
- Revenue forecast
- Budgeting or planning system
- Variance reporting template

5. Procedure

Step	Task	Owner	Done
5.1	**Issue the budget calendar and instructions** The budget analyst distributes the budget calendar, submission template and instructions to all department managers, including key deadlines and assumptions to use.	Budget Analyst	☐
5.2	**Submit department budget requests** Each department manager completes the budget submission template with planned spending by category, headcount changes and the justification for significant increases.	Department Manager	☐
5.3	**Compile departmental submissions** The budget analyst compiles all department submissions into the consolidated budget model, flagging any missing or incomplete submission for follow-up. **Checkpoint:** Every department's submission is received and complete before the consolidated model is built.	Budget Analyst	☐
5.4	**Review and challenge assumptions** The budget analyst reviews each department's assumptions for reasonableness, questioning any significant increase or decrease from the prior year and requesting clarification.	Budget Analyst	☐
5.5	**Reconcile to prior year actuals** The budget analyst compares each department's proposed budget to prior year actual spending by category, documenting the reason for any large variance. **Checkpoint:** Large variances from prior year actuals are documented with a clear reason before the budget moves forward.	Budget Analyst	☐
5.6	**Incorporate the revenue forecast** The budget analyst incorporates the revenue forecast prepared with the CFO into the consolidated budget model to calculate projected operating results.	Budget Analyst	☐
5.7	**Present the preliminary budget** The controller presents the preliminary consolidated budget and projected results to executive leadership, highlighting key assumptions and risks.	Controller	☐

Step	Task	Owner	Done
5.8	**Revise based on leadership feedback** The budget analyst updates the budget model based on feedback from the preliminary review, working with department managers on any required changes to their submissions.	Budget Analyst	☐
5.9	**Review the revenue forecast and margins** The CFO reviews the updated revenue forecast alongside the revised expense budget to confirm the plan supports the company's overall financial targets.	CFO	☐
5.10	**Obtain final executive approval** The CFO reviews the final consolidated budget and approves it, or sends it back for another revision cycle if targets are not yet met. **Warning:** No department budget is considered final until the CFO has approved the consolidated version.	CFO	☐
5.11	**Load the approved budget** The budget analyst loads the approved budget by department and account into the accounting or planning system so it is available for variance reporting.	Budget Analyst	☐
5.12	**Communicate the final budget** The budget analyst distributes each department's approved final budget to its manager, along with the schedule for future variance reporting.	Budget Analyst	☐

6. Quality checks

- Every department submission is complete before the consolidated model is built.
- Large variances from prior year actuals carry a documented explanation.
- The final budget carries CFO approval before it is loaded into the system.
- Loaded budget totals by department and account match the approved final version.

7. Records

- Department budget submissions
- Consolidated budget model
- Executive review notes and revisions
- Approved final budget

8. KPIs

- Percentage of department submissions received on time
- Number of revision cycles needed before final approval
- Variance between preliminary and final approved budget
- Time from budget calendar issuance to final approval

9. Common mistakes

- Accepting a department submission without reconciling it to prior actuals.
- Missing budget calendar deadlines and compressing the review cycle.
- Loading a budget version that does not match what was actually approved.
- Not documenting the reason for a significant year-over-year increase.

10. Revision history

Revision	Date	Description	Reviewed by
1.0	September 15, 2026	Initial release	Ilia Pirozhenko

Approval

Prepared by	Approved by	Date

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