

Table 1: Partial Budge Format

ITEMS THAT INCREASE PROFIT	Dollars	<i>A partial budge for profit answers the following four questions:</i>
Added Value of Production		
Reduced Costs		
Total Increases to Profit (A)		
ITEMS THAT DECREASE PROFIT		
Reduced Value of Production		
Added Costs		
Total Decreases to Profit (B)		
Expected Change in Profit (A minus B)		

- ⊙ What new or additional income, value of production, will be received?
- ⊙ What current costs will be reduced or eliminated?
- ⊙ What current income, value of production, will be lost or reduced?
- ⊙ What new or additional costs will be incurred?

Table 2: Example

ITEMS THAT INCREASE PROFIT	Dollars
Added Value of Production	
Value of milk produced – 50 cows, 1 pound per cow per day	1,277.50
Reduced Costs	
Bedding expense - \$30 per cow	1,500.00
Total Increases to Profit (A)	2,777.50
ITEMS THAT DECREASE PROFIT	
Reduced Value of Production	
Added Costs	
Depreciation expense - \$3,250 initial cost, expected useful life 5 years, 0 salvage value	650.00
Interest – 5% annually, average investment of \$1,625	81.25
Total Decreases to Profit (B)	731.25
Expected Change in Profit (A minus B)	2,046.25