PROJECT REPORT TEMPLATE

1 . INTRODUCTION

1.1 Overview

According to the Internal Revenue Service (IRS), business expenses are ordinary and necessary costs incurred to operate your business. Examples include inventory, payroll and rent. Fixed expenses are regular and don't change much — things like rent and insurance. Variable expenses are expected, but they can change. Some examples include sales commissions, gas for business vehicles and shipping costs. You expect variable expenses each month, but the actual amount will vary. Tracking your business expenses helps you keep an eye on whether you'll see profits or losses.

Also known as cost of sales, COGS refer to the cost of manufactured or purchased goods sold. COGS are a business expense and affect how much profit a company makes on its products. It's deducted from a business's total revenue to determine gross profit and can include factory overhead, storage, cost of raw materials and parts used to make a product, direct labor costs, shipping or freight in costs and indirect costs, such as distribution or sales force costs.

1.2 Purpose

An expense is a cost that businesses incur in running their operations. Expenses include Pages, salaries, maintenance, rent, and depreciation. Expenses are deducted from revenue to arrive at profits. Businesses are allowed to deduct certain expenses from taxes to help alleviate the tax burden and bulk up profits. Keeping track of expenses is also useful in knowing the average amount of daily, weekly, and monthly expenses. So, if you spend more than normal, it will be easy to evaluate it. In the end, your money will be used for necessary items only and can even be allocated for saving or investment. The main objective of a business is to generate profit by providing goods and services that satisfy the needs and wants of customers. Importance of business communication do this by identifying and meeting customer demand, managing costs, and maximizing revenue. Starting and growing a business requires good organizational skills, creativity, and constant focus, among other essentials. It's important to be aware of your competition, particularly the things it is doing that you might want to adopt or improve upon. Keeping track of expenses is also useful in knowing the average amount of daily, weekly, and monthly expense.

2 . PROBLEM DEFINITION AND DESIGN THINKING

2.1 Empathy Map

1. calculating total expenses from revenue, owner's equity, and income:4

- **Net income** = End equity - Beginning equity (from the balance sheet)
- **Total Expenses** = Net Revenue - Net Income

2. 5 major factors that influence consumer behavior:

- Psychological Factors.
- Social Factors.
- Cultural Factors.
- Personal Factors.
- Economic Factors.

3. four types of consumer behavior:

- **Habitual buying behavior -** The purchase of items such as bread, milk, eggs, and gasoline are possible examples of habitual buying behavior**.**
- **variety-seeking behavior -** examples may include buyers opting for a new brand of cologne or a new type of hair styling product.
- **dissonance reducing buying behavior -** Dissonance-reducing buying behavior occurs when a consumer is highly involved in the purchase of an item, but they have a hard time pinpointing the difference between various brands
- **complex buying behavior** - Complex buying behavior occurs when an individual buys an expensive and infrequently purchased product, such as a car, new home, or treadmill.

4. Four type of cost behavior:

- variable
- fixed
- step
- mixed costs

5. Calculating Revenue to Profit

The formula for calculating net income and each step in the process is further explained below.

Net Profit = (Net) Revenue - Cost of Goods Sold - Operating Expenses - Interest Expenses – Taxes

Says

What have we heard them say?
What can we imagine them saying?

estimating all the expenses required to start and operate the business, such as equipment, rent, inventory, and marketing

1. Step 1: Gather your financial statements. These documents, such as bills, mortgage statements, and account statements, can help you see exactly where your money is going. ...
2. Step 2: Create a list of monthly expenses. ...
3. Step 3: Examine your expenses.

Below is a simple way of calculating total expenses from revenue, owner's equity, and income:

1. Net income = End equity - Beginning equity (from the balance sheet)
2. Total Expenses = Net Revenue - Net Income.

Profit is revenue minus expenses

Thinks

What are their wants, needs, hopes, and dreams?
What other thoughts might influence their behavior?

Psychological, Cultural, Social and Personal are the four factors that affect consumer behaviour

Needs are the necessities, but wants are something more in addition to the needs. For example, food is a need and type of food is our want.

A consumer's wants usually reflect the desired preferences for specific ways of satisfying a need.

four types of consumer behavior: **habitual buying behavior, variety-seeking behavior, dissonance-reducing buying behavior, and complex buying behavior**.

Persona's name

Short summary of the persona

Does

What behavior have we observed?
What can we imagine them doing?

Cost behaviour is **an indicator of how a cost will change in total when there is a change in some activity**.

With a variable cost, **the per unit cost stays the same, but the more units produced or sold, the higher the total cost**.

Cost behavior analysis refers to management's attempt to understand how operating costs change in relation to a change in an organization's level of activity.

Cost behavior is **the manner in which expenses are impacted by changes in business activity**.

Feels

What are their fears, frustrations, and anxieties?
What other feelings might influence their behavior?

The factors which influence consumer behaviour

- Psychological (motivation, perception, learning, beliefs and attitudes)
- Personal (age and life-cycle stage, occupation, economic circumstances, lifestyle, personality and self concept)
- Social

All emotions have the potential to influence buying decisions.

negative emotion experienced by consumers impacts negatively overall satisfaction, while positive emotion have a positive effect on overall satisfaction.

Here are 5 major factors that influence consumer behavior:

- Psychological Factors.
- Social Factors.
- Cultural Factors.
- Personal Factors.
- Economic Factors.

See an example

2.2 Ideation & Brainstorming Map

1. Types of business expenses:

- **Fixed - ** These expenses remain the same over reporting periods.
- **Variable** - These expenses change throughout the reporting period.
- **Periodic -** These expenses happen occasionally across different reporting periods.

2. Business Expense:

- ✓ **Ordinary business expense**

An ordinary expense is one that is common and accepted in your industry.

- ✓ **Necessary business expense**

A necessary expense is one that is helpful and appropriate for your trade or business.

3. common business expense categories :

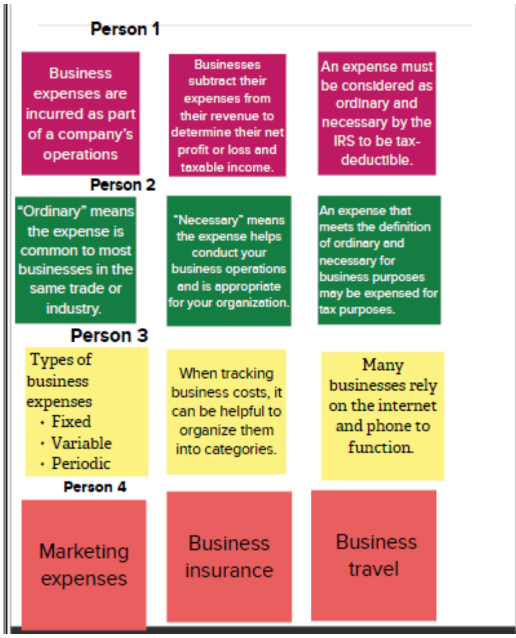
- **Telephone and internet -** Many businesses rely on the internet and phone to function.

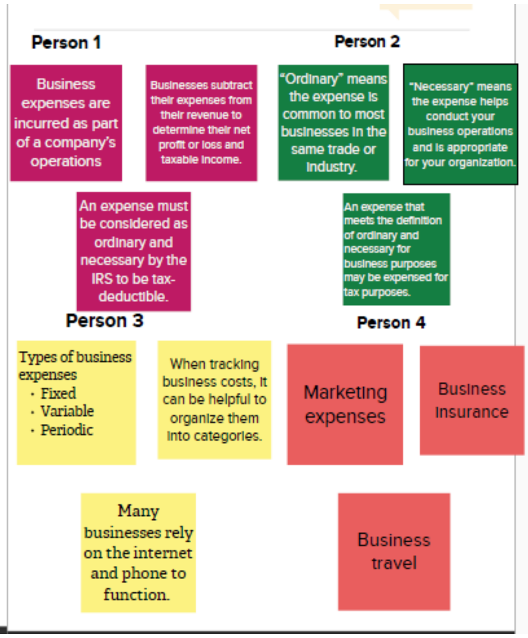
- **Business insurance -** Business insurance is usually fully deductible. A company might have insurance to cover areas, such as:
  - i. **Group health, dental and life insurance for employees.**
  - ii. **Liability coverage.**
  - iii. **Workers' compensation coverage.**

- **Marketing expenses -** Marketing expenses are often 100% deductible.
  1) **Logo design**
  2) **Billboards**
  3) **Print ads in newspapers**
  4) **Radio ads or partnerships**
  5) **Televised commercials**
  6) **Business cards**
  7) **Flyers**
  8) **Event sponsorships**

- **Business travel -** Business travel costs vary in each company, but may include:
  - a. **Company cars, including gas and insurance**
  - b. **Parking and tolls**
  - c. **Airplane, train or bus costs**
  - d. **Hotel and meals**

Some of these expenses may be deductible. It can be helpful to keep receipts of all these costs for budgeting and tax purposes.


Person 1
Business expenses are incurred as part of a company's operations
Businesses subtract their expenses from their revenue to determine their net profit or loss and taxable income.
An expense must be considered as ordinary and necessary by the IRS to be tax-deductible.
Person 2
"Ordinary" means the expense is common to most businesses in the same trade or industry.
"Necessary" means the expense helps conduct your business operations and is appropriate for your organization.
An expense that meets the definition of ordinary and necessary for business purposes may be expensed for tax purposes.
Person 3
Types of business expenses
• Fixed
• Variable
• Periodic
When tracking business costs, it can be helpful to organize them into categories.
Many businesses rely on the internet and phone to function.
Person 4
Marketing expenses
Business insurance
Business travel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Business travel


Businesses subtract their expenses from their revenue to determine their net profit or loss and taxable income.
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Importance
Types of business expenses
• Fixed
• Variable
• Periodic
Marketing expenses
Feasibility

3. RESULT

"Expenses" are consumptions or losses of future economic benefits in the form of reductions in assets or increases in liabilities of the entity, other than those relating to distributions to owners, that result in a decrease in equity during the reporting period. Expenses are decreases in economic benefits for a company and arise from the depletion of assets or incurrences of liabilities. These expenses reduce profits and therefore reduce equity via retained earnings.

4. ADVANTAGES & DISADVANTAGES

ADVANTAGES

- **Huge Financial Advantages**

There is no cap to the amount of revenue and income your firm may generate, provided you have a strong tolerance for financial risk; moreover, having your own Business allows you to reap the rewards of your labor. You may use investor's funds rather than your own to obtain and leverage capital for the new company.

- **Tax Advantages**

Majorly business costs are normally deductible, which lowers a company's taxable income. Most tax regulations are designed to decrease the tax burden of business owners. Lower long-term capital gains taxes are applied to profits.

DISADVANTAGES

- **Financial Risk**

Losing money is one of the biggest risks of owning a business. There are start-up costs for materials and business establishment, as well as monthly obligations. Costs vary, depending on the type and size of the business.

- **Stress and Health Issues**

Business owners tend to experience high levels of stress as well as health issues. Not having a consistent paycheck means business owners always need to generate new sales and revenues.

APPLICATIONS

Business applications are a type of application that are used to improve the operations of a business. They can be used by employees, suppliers, customers, and come in all shapes and sizes. Examples of business applications include applicant tracking systems, help desk applications, inventory management platforms. Business applications are different from internal tools, because they can be used by external stakeholders, where internal tools are specifically used by employees within an organization.

CONCLUSION

keeping track of business expenses is an essential aspect of running a successful company. It helps you to make informed financial decisions and stay on top of your cash flow. By implementing best practices for tracking business expenses, such as regularly reviewing receipts and invoices, setting up automatic expense tracking systems, and seeking the advice of accounting professionals when necessary, you can ensure that your business stays financially healthy.

FUTURE SCOPE

Business always has scope in future, only if one is serious about it and aim to prosper and not thrive. People often falter in business, because they deem it to be an easy task and look for success very early on. Just like a job, business too needs a lot of time investment and huge amount of pressure to get accustomed to. If one owns a business, then he/she must know the issues that comes with it and should therefore be prepared for the solutions too. Business can be a real good scope for future, but one needs to be very calculative in its decisions and very accurate in future prospects.

APPENDIX

Project link:

Data set https://docs.google.com/spreadsheets/d/1CUVxUFLd-S9I6tIU_RfLELXeTS66rAsc/edit?usp=sharing&ouid=100394306471323668668&rtpof=true&sd=true

Video - https://drive.google.com/file/d/11AmXhO1wrg08HkEXX9Sf9mCRdjC8QLLy/view?usp=sharing

Tableau -https://github.com/bdu1621me1309/Estimation--of--Business-Expenses_NM2023TMID25661/upload/main