

# What budgeting method is best for your business?

Your company budget should be a living strategy that informs business decisions. Between size, age, industry, location, and goals, you will need to weigh many factors to create a budget that meets your needs.



## 6 business budgeting methods

### Incremental budgeting

Adjust the existing budget by increments to reflect the overall growth of the company

**Best for:** Fast, company-wide adjustments

**Pros:** Quick to calculate, ensures operational stability

**Cons:** Depends on previous data, promotes unnecessary spending

### Activity-based budgeting

Make budgets by working backward from the end result

**Best for:** Reaching clearly defined goals

**Pros:** Strategic choices, provides focus

**Cons:** Can neglect essential elements which aren't tied to the specific activity or goal

### Value proposition budgeting

Spending is contextualized by the value it brings the company

**Best for:** Deep budget analysis, cutting wasteful spending

**Pros:** Mindful budget creation, careful spending

**Cons:** Value can be difficult to quantify

### Zero-based budgeting

Budgets begin at zero and each dollar must be requested and justified

**Best for:** Cutting costs, maximizing savings

**Pros:** Cooperative budget creation, money goes where it is needed most

**Cons:** Intensive process of budget creation and justification

### Cash flow budgeting

Creating a safety net to prepare for decreased revenue or increased spend

**Best for:** All businesses

**Pros:** Provides options for financial trials

**Cons:** Difficult for companies with thin margins

### Surplus budgeting

Budgets plan for using a surplus

**Best for:** All businesses

**Pros:** Allows for conscious spending of surplus to avoid impulse use

**Cons:** Circumstances change rapidly and may not reflect the conditions at the time of surplus

Learn more about the [different types of budgeting methods](#)

## Never go over budget again.

Learn more about how [Divvy](#) can help you implement any of these budgeting frameworks with our real-time budgeting software.