

# Expense Allocation Framework in Profit Projections

## 1. Overview

This document outlines a sample framework for expense allocation used in constructing profit projections. The framework supports transparency and consistency in forecasting business profitability.

## 2. Expense Categories & Allocation Basis

Expense Category	Allocation Basis	Projected Amount (USD)
Salaries & Wages	By Department Headcount	120,000
Rent	By Square Footage Used	30,000
Utilities	Proportionate to Total Floorspace	9,500
Marketing	By Product Revenue Share	22,000
IT Infrastructure	By Number of Users/Devices	14,000
Office Supplies	By Department	3,500
Travel	By Project/Client Usage	7,000
Professional Services	Direct Attribution	5,000

## 3. Projected Profit Calculation

Total Forecasted Revenue	250,000
Total Allocated Expenses	211,000
Projected Profit	39,000

### Important Notes:

- Ensure allocation methods are documented and applied consistently period-over-period.
- Review underlying assumptions regularly as business conditions and cost drivers may change.
- Expense allocation should align with business goals and provide actionable insight for decision-making.
- The accuracy of profit projections relies on realistic estimates and timely data.
- Regular internal reviews are recommended to refine allocation frameworks as the organization evolves.