

# 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.