Execution, Stakeholder, and Governance

Module 3: Financial Planning and Program Governance

Welcome! The alphabetized glossary contains many of the terms you'll find within this course. This comprehensive glossary also includes additional industry-recognized terms not used in course videos. These terms are important for you to recognize when working in the industry, participating in user groups, and participating in other certificate programs.

Term	**Definition**
Actual costs (AC)	The realized cost incurred for the work performed on an activity during a specific time period.
Aspirational standard	Standards that describe the conduct practitioners strive to uphold. They represent the ideals and values that professionals aim to achieve.
Balanced scorecard	A model developed by the Harvard School of Business that defines four key perspectives essential to a firm's success. Includes financial, process, customer, and employee perspectives.
Benefit cost ratio (BCR)	A financial metric used in a cost-benefit analysis that compares the benefits expected from a project relative to its costs.
Budget at completion (BAC)	The total budget planned to be spent for the completion of the entire project.
Business analyst	Works on identifying business needs and determining solutions to business problems. They often act as a liaison among stakeholders to understand structure policies, operational processes, and recommend solutions using data analysis.
Cash flowchart	A visual representation showing inflows and outflows of cash within a business over time, often used for financial planning and analysis.

Term	Definition
Chart of account (CA) identifier	A code used to designate a funding source supporting a program.
Contingency funds	Funds set aside to cover unexpected costs during a program. These funds act as a financial safety net for risks that cannot be predicted with certainty.
Cost management plan	A plan developed that defines processes and methods to support program financial management activities. Usually included in the overall program financial management plan.
Cost of capital	The return rate that investors expect for providing capital for an investment; it represents the opportunity cost for using this capital elsewhere.
Cost performance index (CPI)	A measure of cost efficiency of budgeted resources, calculated as the ratio of earned value (EV) to actual costs (AC). $CPI = EV/AC$
Cost variance (CV)	The amount of budget deficit or surplus at a given point in time and expressed as the difference between earned value (EV) and actual costs (AC). $CV = EV - AC$
Depreciation	The reduction in the value of an asset over time, often due to wear and tear.
Direct costs	Expenses that can be directly attributed to a specific project, department, or product, including items like labor and materials.
Double declining balance	An accelerated depreciation method that doubles the rate at which an asset's book value depreciates compared to straight-line depreciation.
Earned value (EV)	A project management technique used to measure project performance and progress objectively. It integrates scope,

Term	Definition
	time, and cost data to provide a comprehensive view of project status. It can also be defined as the value of work actually performed and expressed in terms of the approved budget for that work
Earned value technique	A project management technique that integrates scope, time, and cost data to measure project performance and progress.
Economic value added (EVA)	A measure of company performance that calculates how much value is created above the required return on the company's capital investments.
Estimate at completion (EAC)	The expected total cost of completing all work, based on project performance and remaining work. Various formulas are used, depending on project circumstances.
Functional manager	Oversees a specific department or unit within an organization. Their role focuses on managing and developing their area of expertise while aligning departmental functions with overall business strategies.
Hard benefits	Quantifiable savings or revenue gains resulting from a project or investment, typically easy to measure and express in monetary terms.
Indirect costs	Expenses not directly linked to a specific project but necessary for running a business overall, such as utilities or administrative salaries.
Internal rate of return (IRR)	A financial metric used in capital budgeting to estimate the profitability of potential investments. It is the discount rate that makes the net present value (NPV) of all cash flows from a particular project equal to zero.
Key performance indicator (KPI)	Key metrics used to track overall program benefits realization and program management effectiveness.

Term	Definition
Mandatory standard	Standards that must be followed and are enforceable. They specify the minimum acceptable behavior and are required to maintain professional integrity.
Net present value (NPV)	The difference between the present value of cash inflows and outflows over a period of time. NPV is used in capital budgeting to analyze the profitability of a projected investment or project.
Opportunity cost	The loss of potential gain from other alternatives when one alternative is chosen.
Payback	The period of time it takes for an investment to generate an amount of income or cash equivalent to the cost of the investment.
Planned value (PV)	The authorized budget assigned to scheduled work to be accomplished within a given time period.
PMI code of conduct	A set of guidelines developed by the Project Management Institute (PMI) to ensure ethical behavior among project management professionals. It is based on four core values: responsibility, respect, fairness, and honesty.
PMI code of conduct: Honesty	The duty to understand the truth and act in a truthful manner in both communications and conduct.
PMI code of Conduct: Fairness	The duty to make decisions and act impartially and objectively. This means being free from competing self-interest, prejudice, and favoritism.
PMI code of conduct: Respect	The duty to show high regard for oneself, others, and the resources entrusted to us. This includes people, money, reputation, safety, and environmental resources.
PMI code of conduct: Responsibility	The duty to take ownership of decisions, actions, and their consequences. It involves being accountable for one's work and ensuring that it aligns with ethical standards.

Term	Definition
Portfolio governance	The oversight functions applied to groups of programs or projects (portfolios) to ensure they align with the strategic objectives of an organization and are managed consistently according to established practices, principles, and policies.
Procurement buyer	The individual or organization responsible for acquiring goods or services from external sources. The buyer manages the procurement process, including selecting suppliers and negotiating contracts.
Procurement management plan	A document that outlines how procurement processes will be managed throughout the program. It includes details on procurement activities, timelines, roles, responsibilities, and procedures.
Procurement seller	The individual or organization that provides goods or services to the buyer. The seller responds to procurement requests, submits proposals, and delivers the contracted goods or services.
Procurement strategy	A plan that defines the approach for acquiring goods and services needed for a project. It includes decisions on procurement methods, contract types, supplier selection criteria, and risk management.
Product owner	In Agile development methodologies like Scrum, a product owner represents the stakeholders' interests in product development cycles. They prioritize needs, define product features based on user feedback or market research, and ensure that development efforts align with customer demands.
Program governance framework	A structure that outlines the processes, policies, and procedures used to ensure that a program aligns with an organization's strategy and delivers value while managing risks and resources effectively.
Program governance plan	A document that details the roles, responsibilities, processes, and activities required for governing a specific

Term	Definition
	program within an organization. It ensures that the program is conducted in accordance with its governance framework.
Program work breakdown structure (WBS)	A hierarchical decomposition of the total scope of work to be carried out by the program team. It breaks down the program into smaller, manageable components, making it easier to plan, execute, and monitor.
Project manager	Responsible for planning, executing, and closing projects. They oversee the project's scope, manage resources, coordinate teams, and ensure that project goals align with company objectives.
Regulatory body	An official organization that has the authority to supervise and regulate certain activities or industries. They ensure compliance with laws and regulations, protect public interest, and maintain market integrity.
Return on invested capital (ROIC)	A profitability ratio that measures how well a company generates earnings from its capital; it is calculated by dividing net operating profit after taxes by invested capital.
Return on investment (ROI)	A performance measure used to evaluate the efficiency or profitability of an investment. It's calculated by dividing the benefit (return) of an investment by the costs of the investment.
Schedule performance index (SPI)	A measure of schedule efficiency, calculated as the ratio of earned value (EV) to planned value (PV). SPI = EV/PV
Schedule variance (SV)	The measure of schedule performance on a project, expressed as the difference between earned value (EV) and planned value (PV). SV = EV − PV
SMART	An acronym for Specific, Measurable, Achievable, Relevant, and Time-bound. It is a framework used to set clear and attainable goals.

Term	Definition
Soft benefits	Intangible outcomes or advantages from a project or investment, such as improved customer satisfaction or employee morale, which are difficult to quantify precisely in monetary terms.
Source selection criteria	The set of standards and factors used to evaluate and select suppliers or vendors. These criteria may include cost, quality, experience, and delivery timelines.
Statement of work (SOW)	A detailed document that describes the work to be performed, deliverables, timelines, and specific requirements for a project. It serves as a contractual agreement between the buyer and seller.
Straight line depreciation	A method of computing depreciation by evenly spreading out the cost of an asset over its useful life.
Sum of the year's digits	An accelerated depreciation method that involves adding together all digits from 1 up to the number representing the useful life years and then depreciating based on a fraction of those digits each year.
Time value of money	The concept that money available now is worth more than the same amount in the future due to its potential earning capacity.
Variance at completion (VAC)	The expected cost variance at the end of the project, expressed as the difference between budget at completion (BAC) and estimate at completion (EAC). $VAC = BAC - EAC$