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2017 February 22, 23, 24  
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# Financial Management Acumen for Project Managers

Understanding Key Financial Management Tools and Project Accounting Principles to Improve Efficiency and Project Performance

**Prime Quality Training** is delighted to present this in-depth and interactive learning experience to strengthen your Project Management approach through the development of financial management acumen.

## Key Take-aways:

- Appreciate the structure and principles that underpin accounting for projects
- Understand financial language and statements at a deep level
- Calculate and analyze key ratios that highlight important trends in your project's performance
- Implement key financial management strategies as a result of understanding your financial data
- Participate in planning and budgeting for your projects with greater confidence,
- Measure and control operational KPI's and financial performances against project budgets
- Provide meaningful and strategic commentary around your financial results
- Drive improved operational and financial performances
- Confidently use discounted cash flow techniques and other methodologies to demonstrate the viability of long term projects

### COURSE FACILITATOR

**Lindsay Dewberry**

Principal & Managing Director  
Panache Consulting (Australia)



International expert and renowned trainer with over two decades of professional experience and insights into the roles of both project management and project accounting.



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PQ's Project Management Series



# Background

Financial management skills and knowledge are not only valued in high performing organizations, increasingly they are a required core competency for any Project Manager.

Finance leaders, chief executives and project sponsors place a high value on Project Managers who can speak their language and provide a clear picture of financial reality in their project plans and reports.

This highly interactive course provides practical insights into accounting and financial management tools necessary to successfully manage a project. It will enable participants to understand key accounting terminology, underlying concepts and tools as well as be able to understand the importance and role of the major financial statements, especially the project Profit and loss.

The workshop also explores the unique treatment of key project transactions required under accounting standards and how raw accounting data translates into the project financial reports. Participants will learn how to interpret and analyze a set of project financial statements. The basic techniques for classifying and managing costs are also explored.

The course covers the importance of accurate project budgeting and forecasting and the difference between the two. It also covers the key steps to developing meaningful commentary and analysis on major variances occurring in project performance reporting.

# Course Facilitator

## Lindsay Dewberry CPA

Managing Director, Panache Consulting (Australia)

Lindsay Dewberry is involved in the development and delivery of training programs across workplace and academic environments. After completing an economics degree at Monash University, Lindsay worked for more than 20 years in the financial services industry, where he held a variety of senior accounting and management roles while also completing a post graduate qualification in accounting. On several occasions, Lindsay was seconded to management teams of strategically important projects within the financial services industry. A long standing CPA in his own right, Lindsay commenced his consulting business in 2000 and has gained significant expertise in the areas of performance measurement, governance at Board and executive leadership levels and external accounting. He has been invited on several occasions to provide management expertise to several major projects on behalf of clients.

**Lindsay's training and consulting experiences span many of the services industries, federal, state and local governments, not for profit and manufacturing sectors, with a significant client base across both large and small organizations over the years including:**

Department of Defence, Department of Health and Human Services, (Victoria), New south wales Health, Melbourne Water, Deakin University, DeakinPrime, Griffith University, University of New England Partnerships, Australian Institute of Management (AIM), Australian Institute of Company Directors, Lend Lease, CPA Australia, Relationships Australia, Coles Myer, National Australia Bank, ANZ Bank, Bendigo Bank, Telstra, TNT, RACV, Amcor, Visy Industries, Metricon Homes, BP Australia, CSL, Toll Holdings, Australian Cricket Board, Colonial First State GlobalAsset Management, LinFox, TABCORP, Crown Resorts, Commonwealth Government Attorney General's Department, Commonwealth Government Department of Education, Science and Training, CountryWide Credit Union, Property Investment Professionals Association of Australia.

# Course Outline:

## Fundamental Accounting Principles

- The accounting entity
- Valuation
- Measurement & Historical Cost
- The accounting period
- Materiality
- Conservatism
- Other principles

**Review of public company annual reports to see accounting principles at work**

## How Accounting Principles are Applied in Project Accounting

- The accounting entity and projects
- Valuation principles and projects
- The importance of Measurement and Historical Cost to projects
- The accounting period and projects
- Materiality and projects
- Conservatism and projects
- Applicable International Financial Reporting Standards to accounting for projects

**Group Activity:** Forum discussion on application of accounting principles to our projects

## Project Life Cycles and Accounting Process Cycles

- Project Life Cycle Summary
- Typical accounting processes in organizations
- Project accounting processes and their relationship to the project life cycle
- Issues that impact accounting for project transactions

**Group Reflection:** Forum discussion on tensions between project management needs and accounting processes

## Accounting for Current and Past Results: Day by Day Financial Management

### Financial Management Part 1:

- Goals of financial management
- Operating and cash cycles of the enterprise
- Summary of cash accounting method
- The accrual accounting method
- Cash cycle of the enterprise

**Group Activity:** The difference accrual accounting makes to reporting of profits

### Financial Management Part 2: Reporting The Results: Understanding Key Financial Statements and Terminology

#### Group Activity: Core Financial Terminology

- The Income Or Operating Statement (P&L)
- The Balance Sheet and the Accounting Equation
- The Cashflow Statement
- The Statement of Changes in Equity

**Group Activity:** Understanding core financial statements and the relationships between the statements

### Financial Management Part 3: Financial Statement Analysis

- The basic concepts of financial ratios as management tools
- Profitability and ROI ratios and what they tell us
- Liquidity/cashflow management ratios and what they tell us
- Efficiency ratios and what they tell us
- Financial stability and gearing ratios and what they tell us

#### Case Study Part 1: Applying ratio analysis to derive results

- What shall we do with our results? The importance of trends
- Trends as a basis for management decisions
- Financial management strategies to improve core financial results

#### Case Study Part 2: Interpreting results and recommending actions

Continued...

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## Course Outline Continued...

### Financial Management Part 4: The Importance of the Project Income Statement (P&L)

- The Income Statement in detail
- Layers of profit:
  - o Gross margin
  - o EBIT and EBITDA
  - o Operating Profit
  - o Profit Before Tax
  - o Profit After Tax
- Direct Costs v Operating or Overhead costs
- Key financial ratios in a project income statement (P&L)

**Group Reflection:** Terminology and Income Statement performance ratios we experience in our projects

### Financial Management Part 5: Understanding Expense behavior

- How costs behave:
- The concept of the relevant range
- Fixed
- Variable
- Semi variable
- Step fixed
- Group Activity: Fixed versus Variable Expenses
- Importance of understanding cost behaviours
- Break even analysis: determining short term viability

**Group Activity:** Break even Analysis case study

### Financial Management Part 6: Accrual Accounting – A Deeper Understanding

- The key issue: revenue and expense recognition; It's all in the timing
- Major types of accrual accounting entries:
  - o Prepaid expenses
  - o Depreciation as a major prepaid expense
  - o Accrued expenses
  - o Unearned revenue (revenue received in advance)
  - o Accrued revenue
- How accrual accounting can save or sink you as a project manager:
  - o Timing of approved purchases
  - o Approving shift allowances/overtime
  - o Beware of allocated or indirect expenses
- Timing of revenue and expenses in project accounting:
- What the International Accounting Standards say
- Revenue
- Expenses

**Group Activity:** Brain storming and reflection on important accruals in projects

### Financial Management Part 7: Asset Valuation, asset life and Depreciation

- What the International Accounting Standards say
- Differences between IFRS and GAAP treatments
- Asset thresholds and asset policies in organizations
- Overall principles:
  - o Initial asset valuation: cost based
  - o Subsequent asset valuation:
    - Cost based approaches
    - Revaluation based approaches
- Intangible Assets:
  - o Intangible assets with finite lives
  - o Intangible assets with infinite lives

**Group Activity (1):** Is it an asset or an expense?

**Group activity (2):** Reflection on practical issues of asset management in projects

Course outline continued...

## Accounting for the Future: Planning & Budgeting

- Planning frameworks in large organizations
- What is budgeting?
- Where budgeting fits in
- What are the outcomes of our budgets?

**Group Activity:** Holistic Planning & Budgeting Processes

- Understanding business/activity drivers:
  - o External influences
  - o Internal influences

**Group Activity:** What are the business drivers for your projects?

- Budgeting for project expenses:
  - o Incremental approach
  - o Zero based approach

**Group Reflection:** Which Bases are Used in Your Projects?

- o Does the expense change with your activity level (is it a variable expense?)
- o Projecting variable expenses
- o Projecting fixed expenses
- o Historical actual approach
- o Incremental approach revisited
- o Statistical projection
- o Standard cost/unit cost allowance methods
- o Empirical or market data

**Group Activity:** Practice Budgeting for Expenses

**Group Reflection:** Lessons Learned in Expense Budgeting for Our Projects

## Monitoring & Control in Projects

**Performance Reporting Methodologies:**

- Holistic reporting
- Balanced Scorecard and related methodologies
- Dashboard concepts and Reporting on A Page
- Operational Performance: Developing KPI's:
  - o We had to have SMART somewhere!!!!
  - o Quantity KPI's
  - o Quality KPI's
  - o Timeliness/Speed KPI's
  - o Cost KPI's
- Sources of information for developing KPI's

**Case Study:** Developing Project Practice KPI's

**Forum:** Real experiences with developing & Reporting KPI's

- Financial Performance: Actual V Budget Comparisons:
- Typical Formats and content (summary)
- Commentary and Analysis – the Basics:
  - o Types of Variances:
    - ▪ Monthly V Year To Date
    - ▪ Timing V Permanent
    - ▪ Volume V Price
  - Commentary and Analysis – Sending a clear message:
    - o Cause of variance
    - o Timing or permanent, and why this is important
    - o Scale of full year impact
    - o Remedial action

**Group Activity:** Analyzing Actual V Budget Variances and Developing Commentary

**Connecting Project and Cost Performance:**

- Earned Value methodology:
- How it works
- Earned Value Metrics (EVM)
- What it tells us about the present and future performance of the project

**Group Activity:** Case study in using earned value techniques

Course outline continued...

## The Big Picture: Return on Investment and Evaluation of Projects Over Time

### Why Capital Budgeting is Different

- Long term Projects
- Evaluating viability over the long term - discounted cashflow techniques:
- The time value of money:
  - o Discounted cash flow (DCF) techniques
  - o What is discounting?
  - o Present Value (PV)
  - o Net Present Value (NPV)
  - o Step by step process
  - o What PV and NPV techniques tell us and what they DON'T

**Group Activity:** Case study in projecting and calculating NPV results

- What is the discount rate?
- Terminology: ROI, Cost Of Capital, Hurdle Rate
- A variation: Internal rate of return (IRR)
- What IRR tells us that NPV doesn't!
- Guided Activity in projecting IRR
- A non discounted cashflow technique for evaluating projects- Payback Analysis:

**Group Activity:** Calculating Payback period

### Capital Financing For Projects:

- Debt funding sources (summary)
- Equity funding (summary)

**Group Activity:** Advantages and disadvantages of debt and equity

- Costs of financing alternatives
- Weighted average cost of capital (WACC) as the discount rate
- The role of risk

**Group Activity:** Calculating Weighted Average Cost of Capital

End of 3 days Masterclass.

### Training Course Timing:

Registration:	8:30
Morning Session:	9:00 – 12:30
Coffee Break:	10:30 – 10:45
Lunch: Afternoon	12:30 – 13:30
Session: Coffee	13:30 – 17:00
Break:	15:15 – 15:45

### WHO WILL ATTEND

- Project Managers /Directors
- Portfolio Managers / Directors
- Program Managers
- PMO / Project / Program / Portfolio Management Office
- Operations Managers
- Major Projects
- Infrastructure / Construction / Capital Works
- ICT / Systems Projects
- Project Consulting
- Project Officers
- Project Management Professionals (PMP)