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Reforming Master Programmes in Finance in Armenia and Moldova / REFINE

An Erasmus+ Capacity Building Project (2017-2020)

THE COURSE

FINANCIAL PLANNING AND BUDGETING OF PROJECTS

OVERVIEW

University ARMENIAN STATE UNIVERSITY OF ECONOMICS

Teacher Armine Schanyan



BASIC INFORMATION



TITLE OF THE COURSE	Financial planning and budgeting of projects
TEACHERS	Armine Schanyan
YEAR OF THE COURSE	I
SEMESTER OF THE COURSE	II
LANGUAGE	Armenian
NUMBER OF ECTS CREDITS	4

LEARNING OUTCOMES

On successful completion of this course, students will be able to:



- to describe definitions of project
- to compare the projects and choose the better project
- to discuss the features and differences of the basic concepts related to the project
- to illustrate evolutionary development of project management
- to categorize key concepts of project management (PMBok standard)
- to identify the subordination of goals
- to design project budget (management and contingency reserves)
- to explain the peculiarities of construction project
- to interpret estimation methods of projects
- to calculate the longest path (CPM), cost-time analyses
- to calculate budgets of construction company
- to analyze cash flow budget and make financial decisions
- to describe cost management framework (inputs, tools and techniques, outputs)
- to create the elements of specific work breakdown structure
- to reproduce EVM
- to observe financial policy and conclude the types of financial planning
- to compare the feasibility of projects.

SYLLABUS OF THE COURSE



WEEK	TOPIC
1-2	The Economic Significance and Importance of Projects
3-4	General Description of Project Management
5-7	Construction Projects Management Mechanism
8-10	Project Budgeting and Forecasting Tools
11-12	Financial Planning and Business Plan Structure
13	Assignment 1- Case study
14	Assignment 2 - Presentation slides To compare two projects

WEEK 1 The Economic Significance and Importance of Projects



Topic covers:

- What is a project?
- Historical evolution of project methodology
- Modern aspects of improvement project discipline

Seminar–interviews, discussions about theoretical clauses of projects, practical exercises (test questions-NPV, IRR, PP and etc.)

After completing this chapter students will be able to:

- to present and highlight some definitions of project- pro and cons
- to compare the projects and choose the better project.

WEEK 2 The Economic Significance and Importance of Projects (**continuation**)



Topic covers:

- Difference between project, program and portfolio
- The outlines of project frame and its types
- The contrast of Traditional and Agile approach
- Managing project budget within organizational structure types

Seminar– interviews and discussions about differentiation of projects and other concepts interconnected with a project

After completing this chapter students will be able to:

- to discuss the differences of project, program and portfolio
- to outline the main features of the project types (inverted triangle model)
- to debate projects vs operations
- to argued project manager vs functional manager.

WEEK 3 The General Description of Project Management



Topic covers:

- What is a project management?
- Framework for project management (stakeholder management, risk management and etc...)
- The project life cycles and phases

Seminar– interviews, discussions about theoretical clauses and key concepts of project management, changes of PMBoK 6th edition

After completing this chapter students will be able to:

- to memorize knowledge based on historical information about project management
- to categorize key concepts of project management
- to consider and summarize the changes of PMBoK standards.

WEEK 4 The General Description of Project Management (continuation)



Topic covers:

- Project management process groups and the components of project planning
- General rules of the hierarchy within strategic planning
- Project budget as a high level information

Seminar– creation of mapping project management, practical exercises (calculation of EMV)

After completing this chapter students will be able to:

- to describe knowledge areas and process groups (selection of 49 options)
- to arrange the hierarchy of mission, goal and tasks
- to design project budget and to calculate reserves.

WEEK 5 Construction Projects Management Mechanism



Topic covers:

- Construction as a big system
- The features of construction project
- Precedence diagram method, PERT and CPM

Seminar– interviews, discussions about peculiarities of construction project, practical exercises (familiarization with PDM, PERT, CPM).

After completing this chapter students will be able to:

- to explain the importance of construction project in nowadays, to classify stakeholders scope and describe the mechanism of financing
- to apply tools and techniques of estimation method of projects in order to increase the efficiency of construction work.

WEEK 6 Construction Projects Management Mechanism (continuation)



Topic covers:

- Critical Path Method (time - cost analysis)
- Fast tracking and crashing the project schedule
- Budgeting system of construction company

Seminar– interviews and discussions about theoretical clauses of budgeting, practical exercises (calculation critical path by crashing process, introduction of interconnection budgets of construction company)

After completing this chapter students will be able to:

- to schedule activities chain, to calculate the longest path and the impact of direct cost changes on the whole process
- to provide the calculating process of separate budgets and demonstrate all links between them.

WEEK 7 Construction Projects Management Mechanism (**continuation**)



Topic covers:

- Peculiarities of cash flow formation in the sphere of construction
- The need of borrowing
- The final balance of cash flow

Seminar- practical exercises (calculation cash flow budget based on the calculations of other budgets, making financial decisions)

After completing this chapter students will be able to:

- to analyze cash flow budget for a particular construction company
- to show the solving ways of financial problems of the company
- to make financial decisions in order to optimize the activity of company.

WEEK 8 Project Budgeting and Forecasting Tools



Topic covers:

- Pre-project work
- Project cost management
- Plan cost management

Seminar–interviews, discussions about theoretical clauses of project cost planning process

After completing this chapter students will be able to:

- to define project charter as a power document
- to illustrate cost management framework (inputs-outputs)

WEEK 9 Project Budgeting and Forecasting Tools (**continuation**)



Topic covers:

- Project budget and WBS
- Various components of the project budget
- Cost baseline

Seminar–interviews, discussions about scope-cost mechanism, practical exercises (computing breakdown budget, EVA).

After completing this chapter students will be able to:

- to create and calculate budget (WBS).
- to reproduce Earned value analysis
- to compute absolute and relative indicators.

WEEK 10 Project Budgeting and Forecasting Tools (**continuation**)



Topic covers:

- Control cost and formal change control procedures
- Budget completion on time and on budget (EVM)

Seminar—interviews, discussions about control cost process, practical exercises (Earned value management, BAC-TCPI).

After completing this chapter students will be able to:

- to connect EVA and variance analyses
- to discover the type of variance analysis
- to compute indices of efficiency.

WEEK 11 Financial Planning and Business Plan Structure



Topic covers:

- The goal and objectives of financial planning
- The principles and methods of financial planning
- The types of financial planning

Seminar– interviews, discussions about theoretical clauses of principles and methodology of perspective planning, practical exercises (justification of investments in projects)

After completing this chapter students will be able to:

- to observe financial policy and conclude the types of financial planning in this context
- to interpret the distinguish between strategic and tactical financial planning;
- to complete cash flow planning tables, introduction of optimization models.

WEEK 12 Financial Planning and Business Plan Structure (continuation)



Topic covers:

- Planning for business success
- Business plan structure
- Financial plan as a very important section of business plan

Seminar– interviews about business plan content, practical exercises (calculations for business plan development)

After completing this chapter students will be able to:

- to compare the feasibility of projects with the same and different terms
- to evaluate the need of financial investments.

WEEK 13



Assignment 1

Discussion and coordination of group work
Case study

WEEK 14



Assignment 2

Discussion of group work

Presentation slides

To compare two projects

TEACHING METHODOLOGY



The following pedagogical approaches are used:

- student-centered approach to learning (it can be applied during interviews and practice exercises)
- brainstorming, mind mapping, multi-criteria decision analyses (it can be used to formulate assignments)

The following methods and forms of study are used in the course:

- lectures (2 hours a week and/or)
- seminars (2 hours a week: interviews, practical exercises, discussions on performance of assignments)
- self-study and individual work (the students should develop the theoretical material according to the list of relevant literature and provide exercise solution on their own)
- current control and grading include: interviews, participation in classwork, individual and group work results and presentations
- final exam (exam ticket include two questions and practical exercise).

LABOUR MARKET RELEVANCE



Financial planning as an essential part of project management is important for the simple reason that in terms of efficiency, effectiveness and profitability, it has become widespread worldwide. It is also embedded in the corporate governance culture of labour market in Armenia with small but fast growth rates. Within the scope of researches the importance of project management (especially the significance of planning and budgeting) is emphasized in areas such as construction, IT, production, service, R&D, infrastructure, telecommunications, etc. Throughout the course, students will gain knowledge of the organization of financial planning processes, taking into account the specificities of different areas. This will also contribute to the formation of flexible thinking with regard to the organization's ability to undertake the right projects, related to the capabilities to solve limited resources allocation and balancing issues. Provision training in coherent with international developments, comprehensive and systematic knowledge for narrow professional work, knowledge of the latest achievements will help students develop their professional skills and meet the demand of a competitive labour market in the RA. This course covers part of market demand and its also covers part of PMP exam topics, which means that after completing the course students will have bases for PMP exam preparation and with practical skills to stay competitive in the market. According to the WP1 analyses and findings, 2 of the most important skills and competencies for the labour market are the capacity for applying knowledge in practice and the ability to learn/capacity for analyses and synthesis. As for the finance specific skills and competencies, the following were mentioned by employers, as the most important: risk analysis and financial management; analysing data, business analytics. As mentioned in the learning outcomes, the students will be able to obtain and apply the skills and competencies required by the labour market after learning and passing this course.



Assessment		
	Performance	Grade ratio
Class attendance, participation, brief interviews and discussions, practical exercises	40-100	20%
Case study (Ass. 1)	40-100	20%
Presentation slides (Ass. 2)	40-100	10%
Final exam	40-100	50%

ASSESSMENT AND GRADING

Performance and grade			
Percentage	Criteria	Grading numbers	Grade
0-39%		D	insufficient
40-70%	basic criteria met	C- C C+	Sufficient
71-85%	average performance with some errors	B- B B+	Good
86-95%	above average performance with minor errors	A- A	Very good
96-100%	outstanding performance	A+	Outstanding



REFERENCES

Mandatory literature

- PMBoK guide 6th edition// Project Management Institute, 2017, pp.592
- Rudenko A. M., Kolobova E. I., Financial decision making methods//Prometey, M., 2018, pp. 294
- Ribalova E. A., Project management// FDO, TUSUR, Tomsk, 2015, pp.190

Complementary literature

- Mike Cohn, Agile estimating and planning, Practice guide// Project Management Institute, 2018, pp.190
- Newton R., Project management from A to Z// Alpina Publisher, M., 2016, pp.180
- Kemenov A. V., Cash flow management// UNITY-DANA, M., 2015, pp.167
- www.biblioclub.ru, www.book.ru, www.znaniium.com, -electronic library system



COURSE ASSIGNMENT 1

Case study

“Elite Group” CJSC is a distinct leader in Armenian real estate market with 15 completed and 1 ongoing projects. In the near future, the Company plans to implement medium price housing construction in Yerevan. First of all, the students must justify the feasibility of construction project. The pre-project work includes interrelationship between needs assessment and critical business project documents formation. This group work suggests these next steps.

- To study housing construction programs offered by the private and state sector in the RA, if needed, taking also into account these programs in the level of regional and other countries.
- To discover the gap between market price and demand through proper calculation using real estate valuation methodology and to conduct interviews, if needed.
- To determine the possible real competitive price for project by combining the price received from above mentioned research result with the competitive price offered by the Company.

COURSE ASSIGNMENT 2



To compare 2 projects-weak and strong sides

For continuous assessment all the students will participated in the study. They will form groups (4-5 students). Each group will choose how to develop their work content. This group work will help the students to gain competency of work in a team, to make quick decisions, to improve creativity level and concentration on details. During this assignment the students will select comparable projects and perform comprehensive analysis. Identifying the strengths and weaknesses of these projects, students will design presentation slides where the universal analysis (including financial aspect) will be complemented by some proposals. It is assumed that they can do this work through SWOT analysis, as well as applying toolkit based on other methods.



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