

Practical

# FINANCIAL FUNDAMENTALS AND PROJECT INVESTMENT DECISION MAKING



## YOU WILL LEARN:

- How to communicate more effectively with financial managers
- The financial parameters influencing the profit of a project and your organisation
- About national and international economic issues
- How to read simple financial statements
- How to estimate capital and operating costs, as well as perform economic project evaluations
- How to rate alternative investment proposals utilising Discounted Cash Flow (DCF) project evaluation techniques
- How to prepare expenditure proposals that win management approval
- When to purchase new equipment

## WHO SHOULD ATTEND:

- Engineers
- Production Workers
- IT Managers
- Sales Staff
- Managers
- Scientists
- Tradesmen
- Technicians
- Administrators
- Management Accountants
- Technical Specialists
- Metallurgists
- Geologists



*Technology Training that Works*

## THE WORKSHOP

Finance courses are among the most frequently requested by employees. Perhaps the reason for this is that most technical people wish to communicate effectively with finance personnel in the board room, but don't understand the language. Finance is, in fact, very simple and easy to understand. The main problem is that accountants (as with other technical people!) do not generally communicate in a language that is understandable and use jargon that is ill-defined.

One of the key ingredients for success in any business and project is understanding that cash is king. And you and your organisation must be able to generate it effectively and consistently through a thorough understanding of financial management and investment analysis. Rapidly advancing technology, increasing project complexity and competitive pressures place enormous demands on you to do the best possible cost estimation and economic evaluation of your projects, products and services.

In today's world with financial decisions coming under increasing scrutiny it is essential that you have enough information in which to make effective choices and to drive your projects forward with sound justifications.

This course commences with the basics of economics and gives you a solid understanding of the world order underpinning and driving the financial system. Basic accounting and finance terms are explained in simple English with an emphasis on the engineering and technology world. We then discuss cash flow concepts. The issue of making appropriate investment decisions is then examined using such techniques as NPV and IRR. Finally capital budgeting and risk are discussed in an easy to understand manner.

This is certainly not an advanced course but one aimed at providing you with the fundamentals in Financial Management from a technology and engineering perspective.

### PRE-REQUISITES

A basic knowledge of projects and an introduction to financial concepts would be useful.

## ON-SITE TRAINING

- ✓ **SAVE** over 50% by having an IDC workshop presented at your premises.
- ✓ Customise the training to **YOUR** workplace.
- ✓ Have the training delivered when and where you need it.

Contact us for a **FREE** proposal.

## THE PROGRAMME

### DAY ONE

#### INTRODUCTION

- Aims of the course
- Sources of Financial Information
- Understanding basic principles of Finance and Economics
- Non financial issues

#### BASIC ACCOUNTING CONCEPTS

- Types of costs and Transactions
- Assets, Equities, Liabilities and Inventories

#### UNDERSTANDING FINANCIAL INFORMATION

- Profit and Loss statements
- Understanding the balance sheet
- Ratio Analysis
- Working Capital and how to control it
- Capital Expenditure versus Operating Expenditure
- Cash Flow versus Profit

#### ECONOMIC ISSUES

- Price Systems and the Market Economy
- Supply and Demand - The Basics
- GDP and Inflation/Deflation
- Business cycles
- The so-called New Economy

#### BUDGET PREPARATION AND CONTROL

- How to prepare a Budget
- Breakeven Analysis

#### UNDERSTANDING CASH FLOW

- Cash is King
- Identifying Project Cash Flows
- Actual and Projected Cash Flows
- Depreciation and Tax Considerations
- Cash Flow Analysis for specific projects
- Applying Spreadsheets effectively

### DAY TWO

#### ESTIMATION AND COSTINGS

- Capital costs
- Working Capital and Operating costs
- Factors Affecting Profitability
- How to get the estimate right first time

#### TIME VALUE OF MONEY AND DISCOUNT RATES

- Compound interest formulas
- Capital Recovery and sinking fund factors
- Present and Future Values

#### INVESTMENT APPRAISAL METHODS

- Compounding and Discounting of Money
- The use of Discounted Cash Flow (DCF) in decision making
- How to calculate Project Payback
- How to calculate Net Present Value (NPV)
- The cost of Capital - selecting the right discount rate
- How to calculate Internal Rate of Return (IRR)

#### CAPITAL BUDGETING

- Capital Investment Procedures
- Cost index
- Cost of Equipment and Labour

#### DECISION MAKING UNDER CAPITAL RATIONING

- What to do if we don't have enough money
- Optimising Expenditure
- Tips and Tricks in preparing a capital expenditure budget

#### TAKING ACCOUNT OF TAXATION

- Understanding Tax Allowances
- How to distinguish between Capex and Opex

#### RISK AND UNCERTAINTY

- Investigation and Quantifying Project risk and uncertainty
- Perform a sensitivity analysis
- Calculation of Probability of outcome

#### TYING IT ALL TOGETHER

- Revision of the key concepts
- How to apply this to personal wealth creation

## WORKSHOP OBJECTIVES

After attending this practical workshop, you will be able to:

- Understand the financial workings of your company
- Read and explain simple financial statements
- Understand economic evaluation techniques in project proposals
- Calculate the financial viability of expenditure proposals
- Select Pricing strategies and tactics that work
- Optimise the use of scarce capital on your projects
- Understand the essentials of discounting cash flows for a project and work out NPV & IRR
- Manage your company assets more effectively and know when to replace equipment
- Effectively execute sensitivity studies taking into account risk and uncertainty
- Rank alternative investment proposals using discounted cash flow techniques
- Gain the knowledge of the pros and cons of the different economic evaluation methods
- Prepare project expenditure proposals that can win management approval
- Make effective decisions under capital rationing situations
- Communicate effectively with your financial manager peers
- Manage your personal wealth and finances far more effectively than before