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بروجاكس للتدريب والتطوير
Projacs Training and Development

Budget Management Principles

مبادئ إدارة الميزانية

18 – 22 October 2020

Doha / Qatar

A Member of:



PROJACS ACADEMY



ProjacsAcademy.com



Introduction

Corporations regularly develop, manage and adjust budgets and forecasts to reflect changing market conditions and their competitive performance. To do this successfully and establish credible budgets and business plans that function as useful and user-friendly management tools to monitor and help improve performance, it pays to be aware of and incorporate best budgeting management principles, planning and forecasting practices.

Objectives

By the end of this course practitioners shall learn to:

- Explain Why an Organization Needs a Budget
- Distinguish Between Operating and Capital Budgets
- Prepare and Present an Operating Budget
- Analyze a Budget, Based on Variances, and Take the Appropriate Actions Related to Performance

Who Should Attend?

This course is designed for technical, planning and financial specialists and others with budget and planning responsibilities. The course avoids technical and financial jargon and is therefore also suitable for non-technical and non-financial participants.

Whether you are an international, national or regional (Public or Private) budgeting management, planning and forecasting are essential facets of business management that need to be mastered and understood in the specific context of the business.

Course Outline

DAY 1:

The Framework for Budgeting

- Elements of the Budgeting Framework
- Key Concepts and Terminology
- Advantages and Disadvantages: *Critical Issues to be Discussed*
- Overview of the Financial Statements
- Balance Sheet, Income Statement, and the Statement of Cash Flows
- Introducing Cost Analysis for Decision-Making
- The Importance of Understanding Full Costs
- Case Discussion and Examples

Budget Model Best Practices

- Types of budget models
- Short-term & long-term models
- Upstream vs. downstream models
- Model design & planning
- Best practice design guidelines
- Budgeting vs. forecasting

Strategic Planning, Long-term Planning and Budgeting

- Strategic planning
- Long-term planning and Budgeting
- Budgeting as part of the strategic and business planning cycles
- Planning requirements along the oil and gas supply chains
- What is budgeting?
- Why do organizations make a budget?
- Steps in creating a budget
- Parts of a budget
- Budget responsibility centers
- Zero-based and performance budgeting versus incremental budgeting
- Activity-based budgeting
- Contractual and fiscal influences on budgeting requirements
- Production sharing agreement (PSA) components
- Joint-ventures and mineral interest agreements
- Joint operating agreements and joint-venture budgets
- Authorizations for expenditure (AFE)

DAY 2:

Compare Budget Methods

Compare and contrast the different budgeting methods. Determine which model is best suited to various applications.

- Bottom-up budget models
- Model development framework
- Zero-Based Budgeting & cost drivers
- Capital expenditure budgeting
- Cash Budgeting vs. P&L budgeting
- Determination of Model and Forecast scope and time horizons

Sensitivity & Scenario Analysis

- Learn how to sensitize inputs to allow for uncertainty, and learn how to incorporate sophisticated scenario analysis into budget models to provide flexibility.
- Performing Sensitivity Analysis
- Overview of Sensitivity Analysis
- Techniques to incorporate multiple “What-if” scenarios in models
- Break-even analysis

Activity: Sensitivity & Scenario Analysis

Attendees will participate in a hands-on exercise in how to build multiple scenarios and sensitivity analysis on key inputs into a forecast model then analyses the results.

DAY 3:

Forecasting

Estimating and forecasting methods and requirements

- Accuracy of forecasts
- Uncertainty: risk and opportunity
- Benchmarking and gap analysis
- Financial key performance indicators (KPIs) favored by the industry
- Non-financial KPIs favored by the industry
- Safety, environmental and stakeholder KPIs
- Budgeting for downtime: planned and unplanned
- Triple bottom line and sustainability criteria
- Life-cycle analysis (LCA). efficiency and emissions
- Capitalization and leveraging debt and equity
- Consolidating budgets for multiple assets in a portfolio

KPIs

- What are they really?
- Get out of your office!
- How are they relevant to budgeting and forecasting?
- How can they improve forecast reliability and speed?

Case Study: Identifying Cost & Revenue Drivers

Use of KPIs to analyse past performance and predict future. Attendees will examine a company's accounts to identify the cost and revenue drivers that will be used in building the forecast.

DAY 4:

Costs Analysis for Budgetary Purposes

- Petroleum-volume accounting
- Costing for Budgeting: *Why?*
- Cost Terms and Purposes
- Fixed and Variable Costs
- Cost, Volume, Profit (CVP) Relationships
- The Key Concept of Contribution Margin
- Direct and Indirect Cost – *The Allocation Problem*
- Traditional Methods vs. Activity Based Costing (ABC)
- Forecasting production profiles and decline curves
- Flow of funds through a generic oil and gas company
- Capital and operating cost components
- Contractual framework and project execution sequence
- Milestone monitoring
- Achievement analysis and earned value concepts
- Revenue and profit margin planning
- Netback price calculation
- Working capital requirements
- Budget analysis and calculating variances using spreadsheets
- Aids to help present complex budgets in digestible terms
- Reports regulating budgetary performance
- ***Case Discussion and Examples***

DAY 5:

Flexed Budgets and Variance Analysis

- Budgeting for Management Control Purposes
- Explain Why Standard Costs are used in Variance Analysis
- Describe the difference between a Fixed Budget and a Flexed Budget
- Compute Flexed Budget Variances and Sales Volume Variances
- How to Interpret Variance Analysis?
- Integrate continuous improvement into Variance Analysis
- Is Budgeting Enough?
- ***Comprehensive Case Discussion and Examples***
- **WRAP UP**
- **Workshop Summary and Checklists**
- **Open Forum**
- **Review**

Training Method

- Pre-assessment
- Live group instruction
- Use of real-world examples, case studies and exercises
- Interactive participation and discussion
- Power point presentation, LCD and flip chart
- Group activities and tests
- Each participant receives a binder containing a copy of the presentation slides and handouts
- Post-assessment

Program Support

This program is supported by interactive discussions, role-play, and case studies and highlight the techniques available to the participants.

Schedule

The course agenda will be as follows:

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|---------------------|------------------|
| • Technical Session | 08.30-10.00 am |
| • Coffee Break | 10.00-10.15 am |
| • Technical Session | 10.15-12.15 noon |
| • Coffee Break | 12.15-12.45 pm |
| • Technical Session | 12.45-02.30 pm |
| • Course Ends | 02.30 pm |

Course Fees*

- **2,950USD**
**VAT is Excluded If Applicable*