

If you want to deliver projects on time and under budget, then you need a Project Financial Plan to help you do it.

Creating this plan is not an easy task, but by reading this newsletter you can find out how to do it in 4 simple steps.

How to create a Project Financial Plan



Step 1: List the Financial Expenses

The first step taken when defining a Financial Plan and setting a project budget, is to identify all of the types of expenses that are likely to be incurred throughout the Project Lifecycle.

Typically, most projects spend the majority of their budget on purchasing, leasing, renting or contracting the resources to the project (e.g. labor, equipment and materials). However other types of expenses incurred may include those related to the:

- Procurement of resources from suppliers
- Establishment of a Project Office
- Administration of the project

Step 2: Quantify the Financial Expenses

Once you have identified a detailed list of expenses to be incurred throughout the project, the next step is to forecast the unit cost of each expense type listed. The unit cost is simply the cost of a single unit of a particular expense item. For instance, the unit cost for:

- *labor* may be calculated as the cost per hour supplied
- *equipment* may be calculated as the rental cost per day
- *materials* may be calculated as the purchase cost per

Manage Projects Step-by-Step

The MPMM methodology helps you manage projects step-by-step. You can manage:

- ✓ Time & Expenses
- ✓ People & Changes
- ✓ Risks & Issues
- ✓ Procurement
- ✓ Customers
- ✓ Suppliers

The step-by-step approach saves you time by helping you become more efficient at delivering projects from start to finish.

MPMM Professional



This edition of MPMM includes a methodology to help you manage projects of all sizes.

quantity

After listing the unit costs, you should calculate the total amount of each expense item needed to undertake the project. For instance:

- Identify the number of roles required
- Quantify the items of equipment needed
- Determine the amount of materials required
- Quantify the procurement items to be sourced from suppliers
- Calculate the administration costs the project

Step 3: Construct an Expense Schedule

You have now collated all the information needed to build a detailed *expense schedule*. This schedule enables the Project Manager to calculate the total cost of undertaking the project on a daily, weekly or monthly basis.

To create an Expense Schedule, build a table which lists all of the expense types down the left hand side of page, and all of the weeks in the year across the page. Then identify for each week and for each expense type, the amount of financial expenditure to budget. Once complete, you can sum up all of the expenses for any particular week to gain a weekly budget for the entire project.

Of course you may wish to calculate a daily, monthly or yearly view, based on your particular project need. Also don't forget to list any assumptions made during the creation of this Financial Plan. For example, it may be assumed that:

- "The project delivery dates will not change during this project."
- "The unit costs forecast are accurate to within 5%."
- "The funds listed by this plan will be available as required."

And finally, list any constraints identified during this financial planning process. For example:

- "Limited information was available when identifying costs"
- "A market shortage has resulted in a high labor costs"

Step 4: Define the Financial Process

Now that you have created your Expense Schedule, you need to define the process for monitoring and controlling expenses (i.e. costs) throughout the Project Lifecycle. Define the *Cost Management Process* for your project by documenting the:

It's fully customizable, so you can change any of the life cycle steps, templates and practical examples included. You can:

- ✓ Create new methodologies
- ✓ Customize the methodology included
- ✓ Use the templates and examples

[More Info](#)

MPMM Standard



If you want a step-by-step methodology for managing medium sized projects only, then the Standard edition will suit you.

It's different from the Professional edition because you can't customize it. But you can apply the methodology "out of the box" for your projects. You'll also be able to:

- ✓ Access the complete suite of project methods, processes, forms and tables
- ✓ Use *templates*

- Purpose of the process
- Steps involved in undertaking the process
- Roles and responsibilities involved in undertaking the process
- Templates used to support the process

And there you have it! By completing these steps, you can build a proper Financial Plan to help you deliver on time and under budget.

To save time creating a Financial Plan, and help you manage your project finances, download the [Project Management Kit](#) of templates

to create project deliverables easily

- ✓ Follow the project life cycle through the stages of Initiation, Planning, Execution and Closure.

[More Info](#)

MPMM Educational



If you're a lecturer or student and you want to learn or teach project management, then MPMM Educational is for you.

Every task in a project is described in depth, showing you how projects are delivered from start to finish.

[More Info](#)

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