

Finance Management & Planning

Project Appraisal (1)

- **Course overview**
- **Learning Outcomes**
- **Assessment**
 - Business Report – max 2,500 words
 - Powerpoint Presentation of a new project opportunity within your business (up to 10 slides)
- **Reading texts**
 - Atrill and McInaney – Accounting and Finance for Non Specialists
 - Fields (2006) the essentials of Finance and Accounting for Non Financial Managers
 - Fridson and Alvarez (2002) Financial Statement analysis – A Practitioners Guide
- **My Background**

Background reading:

- Arnold, G . (2013) Essentials of Corporate Financial Management, (2nd Ed). Pearson
- Atrill, P. (2014) Financial Management for Decision Makers, (7th Ed), Financial Times/Prentice Hall
- McInaney, E.I. (2014) Business Finance Theory and Practice, (10th Ed). Financial Times/Prentice Hall
- Collier, Paul M. (2013), Accounting for Managers, 5th Edition, Wiley
- Davies, T. and Crawford, I. (2011) Business Accounting and Finance, FT Prentice Hall
- Dyson, R, (2010), Accounting for Non-Accounting Students, 8th Edition, Pearson
- Weetman, P. (2011), Financial and Management Accounting, 5th Edition FT Prentice Hall

Supporting texts & resources

Journals:

- Accounting
- Accounting and Business
- Accounting and Business Research
- Harvard Business Review
- Financial Management
- The British Accounting Review
- International Financial Management and Accounting
- Accounting and Finance
- Business Finance and Accounting

Useful Websites:

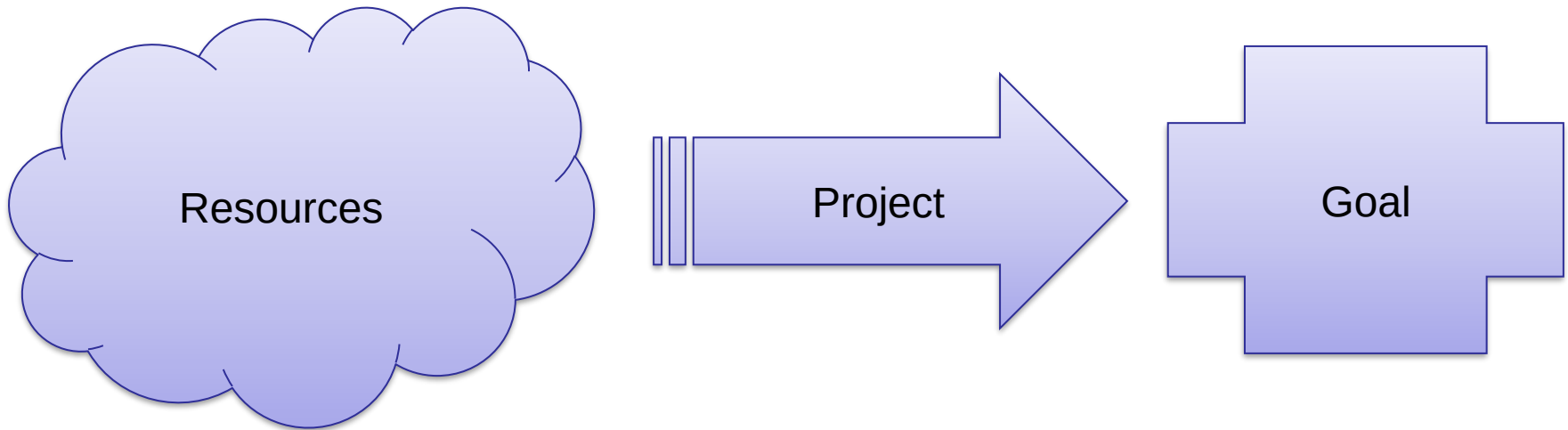
- www.bized.co.uk
- www.ftmanagement.com
- www.ft.com
- www.hescott.com
- www.accaglobal.com
- www.cimaglobal.com
- www.fma.org
- www.baa.group.shef.ac.uk

Course Overview – Block B

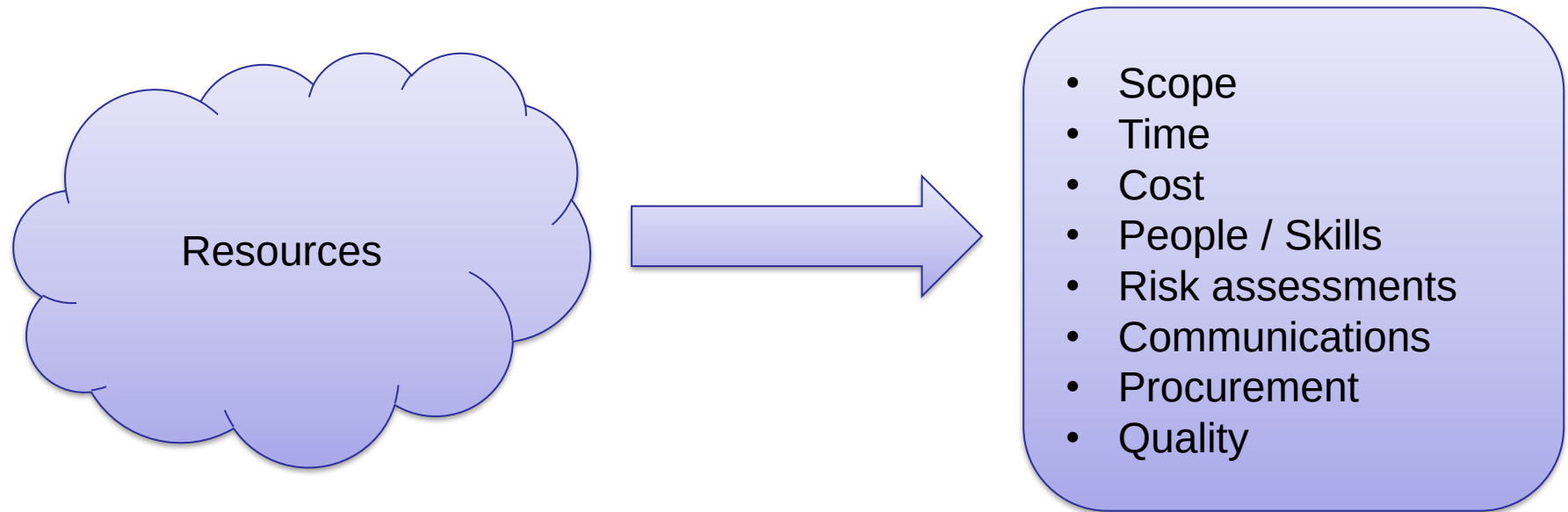
1. Introduction to Project Appraisals
2. Overview of Financial Tools
3. Payback and ARR
4. Time Value of Money – IRR and NPV
5. Capital Rationing
6. Capital Allowances and Tax Adjustments
7. Guest Lecture R&D tax credits
8. Guest Lecture – Circular Economy
9. Sources of Finance
10. Assignment review
11. Using Excel and Exercises
12. Uni Break
13. Uni Break
14. Recap of module
15. Presentations
16. Presentations

- What is a Project ?
- A **Project** is a temporary, unique and progressive attempt or endeavour made to produce some kind of a tangible or intangible result
 - a unique product, service, benefit, competitive advantage, etc.).
 - It usually includes a series of interrelated tasks that are planned for execution over a fixed period of time and within certain requirements and limitations such as cost, quality, performance, others.

A project is a means to achieve a goal by applying a certain amount of resources.



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- End Goal of Projects
 - Productivity improvements
 - New Product Launch
 - Redevelop current product range
 - Plant efficiency improvements
 - Increase Capacity levels to meet increased demand
 - Cost improvements
 - Remove limiting factors from your business
 - Streamline processes
- Legal requirements eg Brexit export changes
- Health And Safety Requirements
- Environmental improvements
- Facility improvements

- Different types of Projects
 - Construction
 - New Equipment
 - Equipment replacement
 - Product implementation
 - Process Re-engineering
 - Procurement
 - Business implementation

“Most of the projects we hear of in media are either over budget, late or are simply not good enough and still different lobbies of people claim that those projects have been successful”.

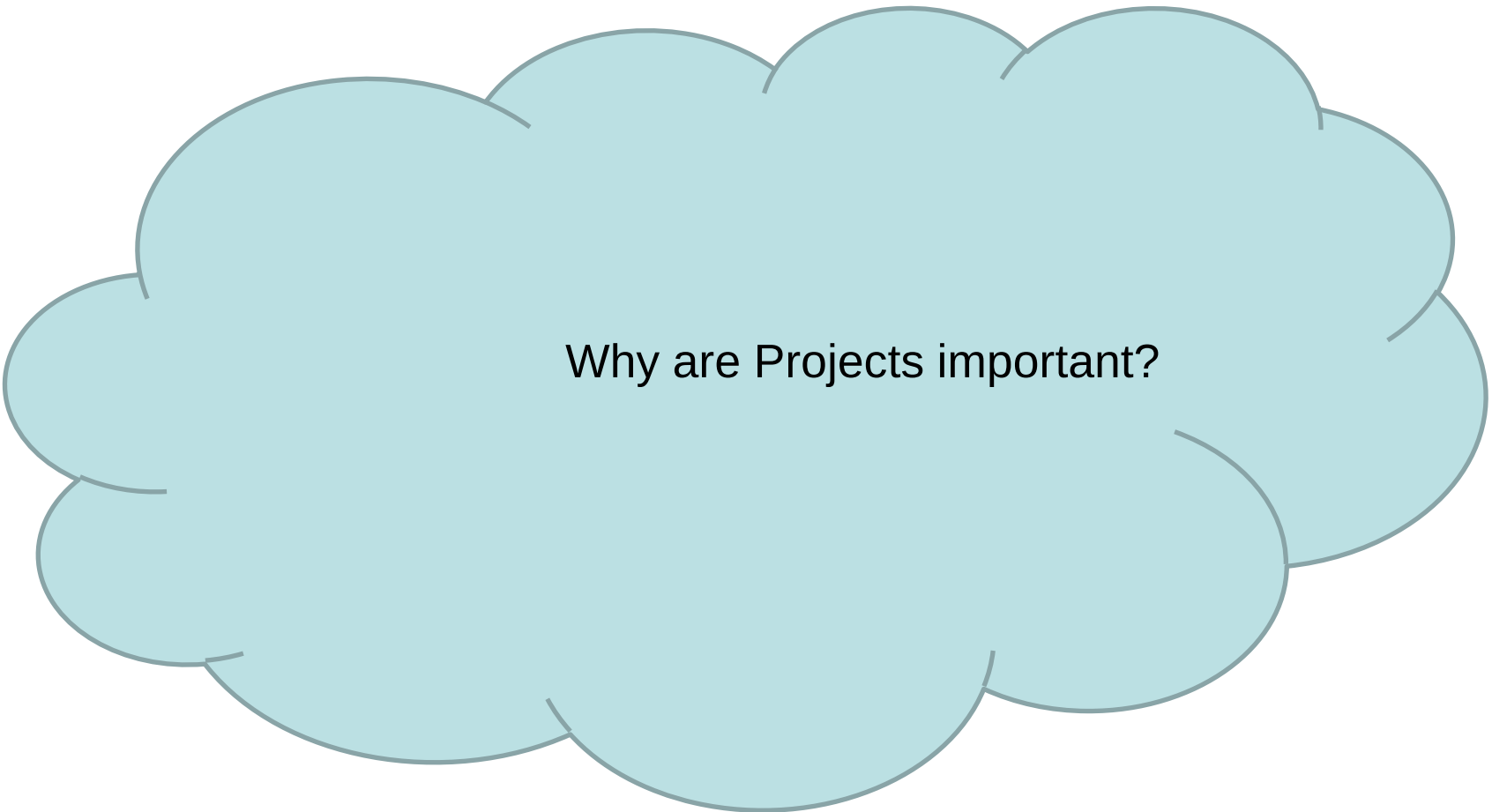
What's your experience of projects within your businesses?



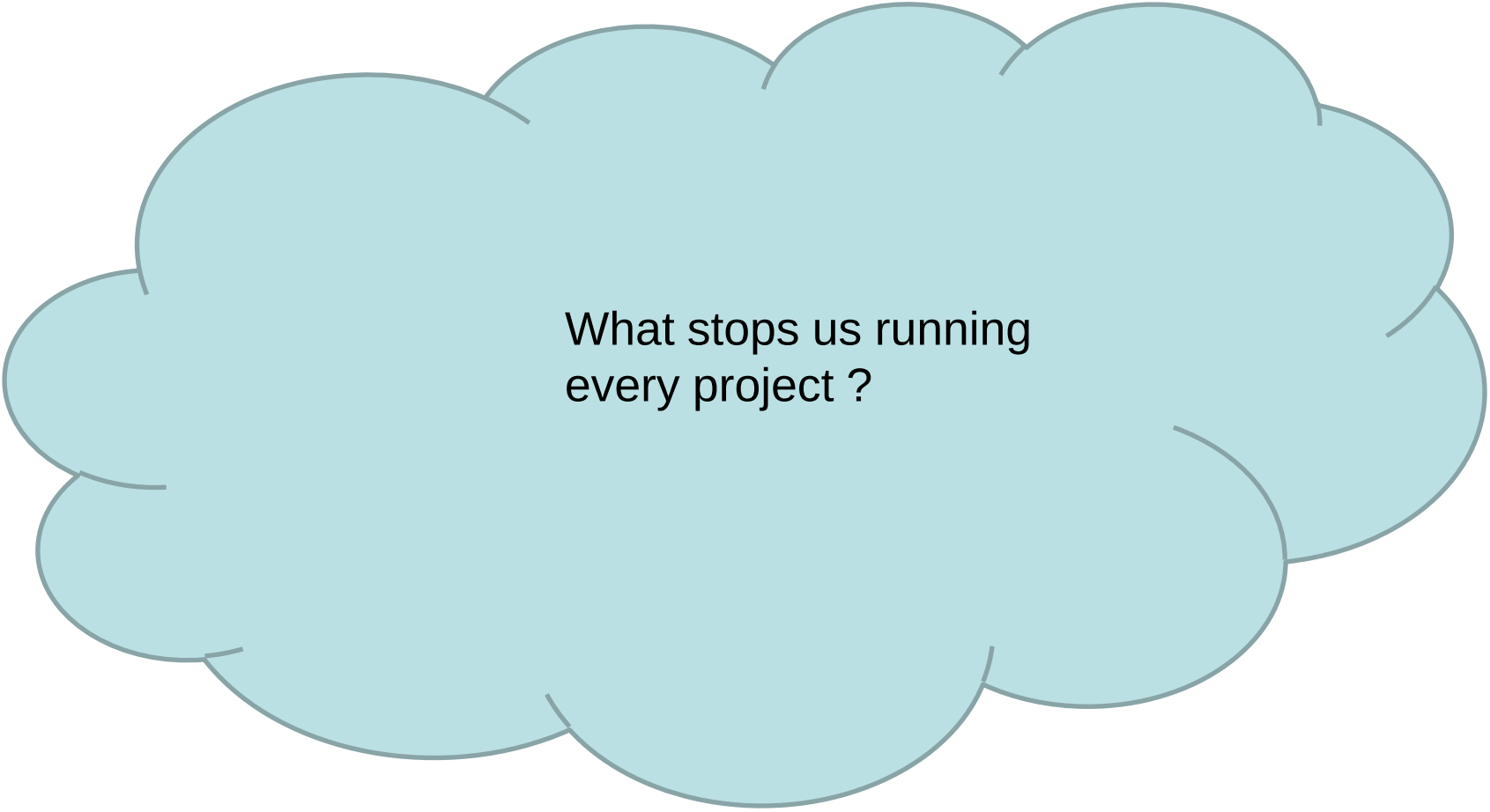
- What projects are going on in your businesses?

My Current Business

- New Pre con IT system being installed
- New Office being developed
- Reporting improvements
- IT system upgrades
- Getting ready for 2 new sites to develop

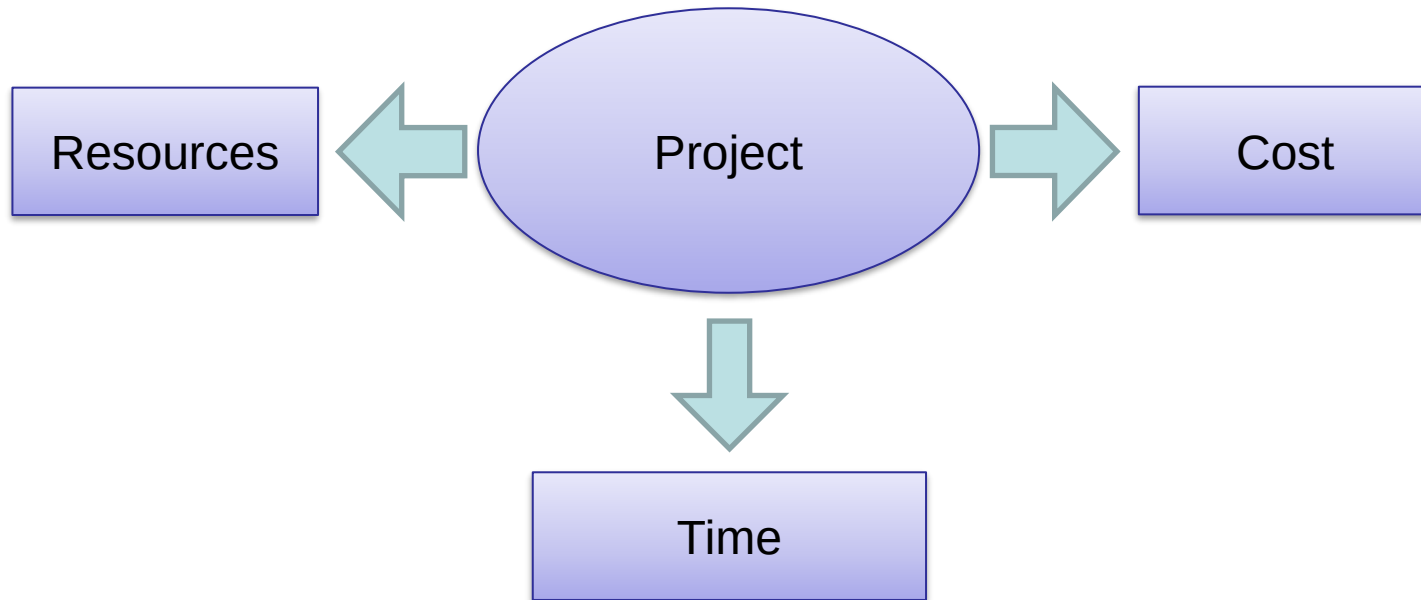


Why are Projects important?



What stops us running
every project ?

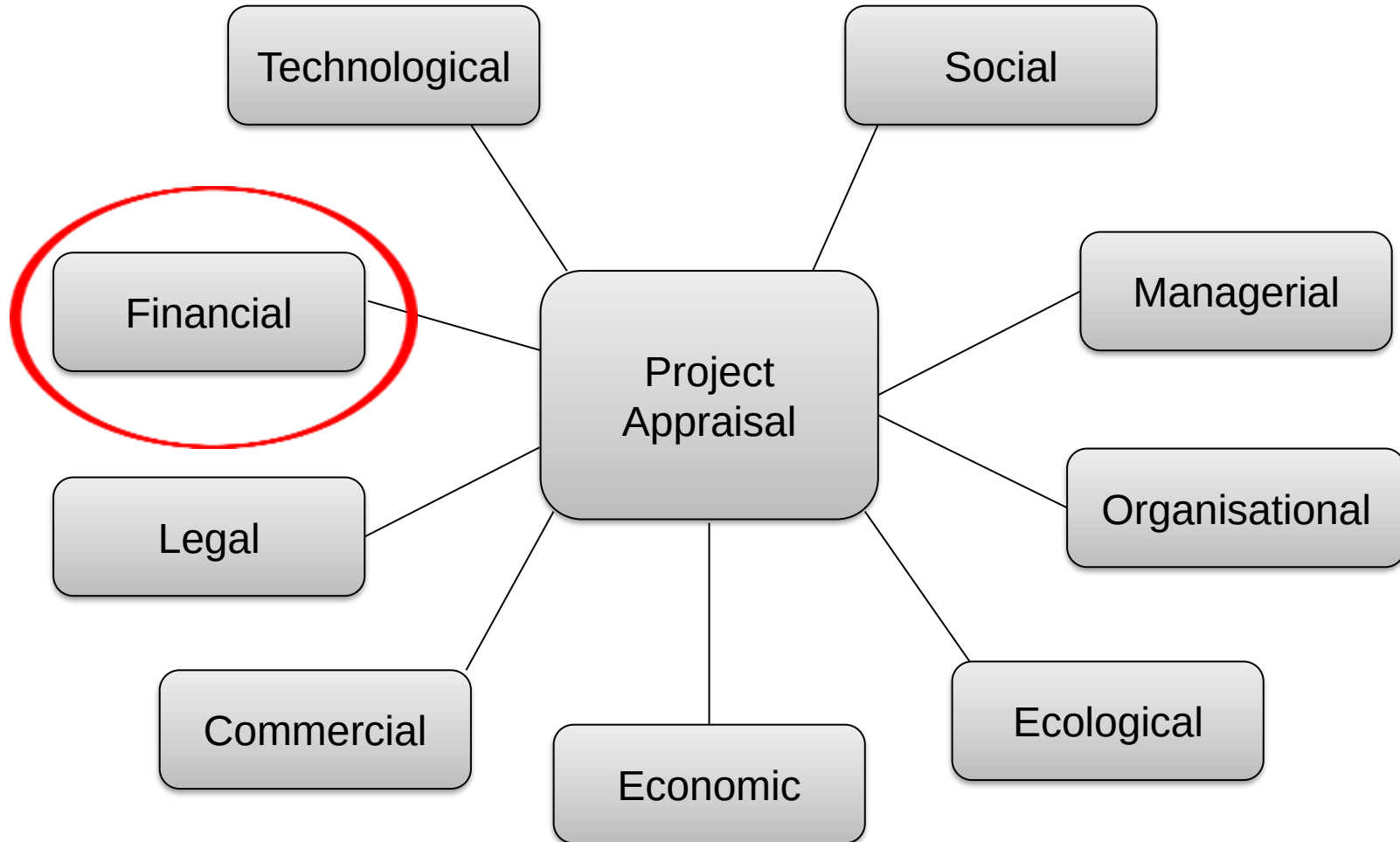
- Limiting Factors



Offsets ?

- How does a business decide which projects should happen ?
- New Development
- Cost improvements
- Disruption to plant
- New Product Line launch
- Health & Safety
- Environmental
- Replacement requirements

A **Project appraisal** is a costs and benefits analysis of a proposed project with an objective to adjudicate its feasibility.



- Aims of Project Appraisal?
 - Selecting the best project
 - To assess projects credit-worthiness,
 - To assess the profitability of the project;
 - To assess the probable cost and benefit;
 - To assess the requirements of raw material;
 - To assess the fixed and working capital;
 - To anticipate a possible market of the product;
 - To assess the management's competence,
 - To find out whether the various factors of production are available,
 - Fulfilment of social objectives such as employment generation, regeneration of areas.
 - Legal requirements
 - Environmental requirements

Financial Appraisals of Projects

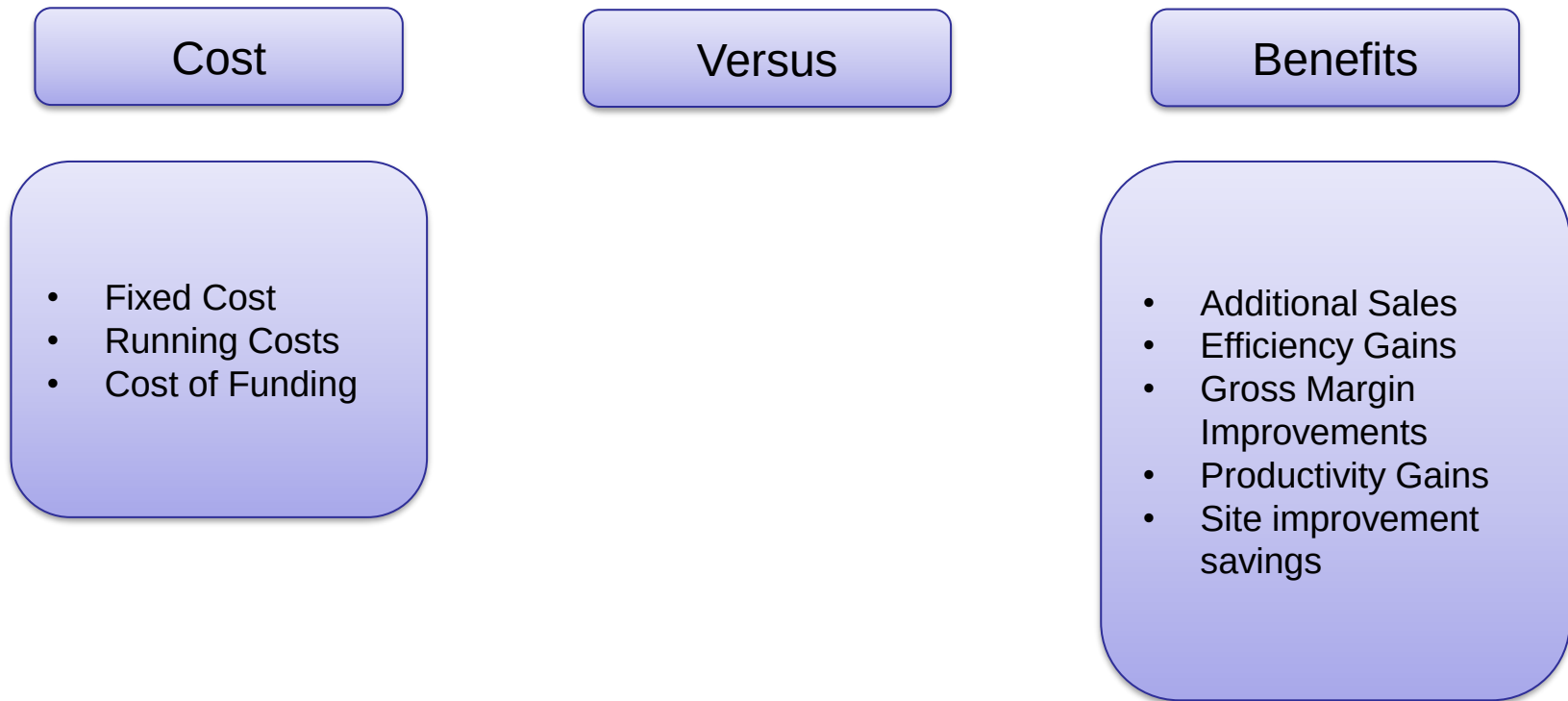
The appraisal of the financial aspects involves scrutiny of the following;

- Cost of the project & means of financing
- Cash flow estimates
- Projected balance sheets.

Financial Appraisals of Projects

- Cost of the project & means of financing
 - Plant and Machinery
 - Tooling
 - Change of process
 - Consultancy costs
 - Running costs
 - Cost of Funding
 - Technical costs

Financial Appraisals



Remember your analysis is only as good as the strength of your data

Financial Appraisals Tools



Financial Appraisals Assignment

You are managing a project team that has identified a capital investment project that you want to champion within your organisation.

The identified project could:-

- bring an innovation change to your business.
- add value to a current process within your business.
- bring more productivity through efficiency improvements within your organisation.

Since identifying this opportunity you have been asked to present your project to your senior management team highlighting the cost of the project and the expected improvements it will bring to your organisation.

Your presentation should be no more than 10 power-point slides and a business report of a maximum of 3 pages, include an appendix showing your calculations of financial appraisal tools.

Can you please confirm your project outline before starting any work on the above and also confirm with your organisation on the use of any company information being used within the project work.

Presentations will be made within the last 2 lectures.

Next Week

Project Appraisal tools