

# PROJECT BUDGETING AND COST CONTROL FOR EPC PROJECTS

## INTRODUCTION

The effective management of budgeting and cost control is crucial for project/process-based organizations. Nowadays, if contemporary organizations want to stay competitive, they are urged to think in terms of process-value added to customers. Budgeting, as well as tracking, controlling & reducing cost represent essential activities to be performed and monitored by organizations as they implement their key processes, activities and operations.

In this workshop participants will learn how to:

- Understand the cost structure of their company;
- Move towards activity-based costing;
- Exploit the advantages of proper budgeting and variance analysis
- Link costing and budgeting with advanced performance management

## Overview

- Best practice, Methods, techniques and systems/software
- Effective CBS and relation with WBS
- Budgeting
- Effective forecasting methods
- Effective analysis and reporting
- Cost control & cost accounting
- EPC projects cost control in a matrix organization (Engineering, procurement, construction, installation & commissioning)
- Level of details for budgeting, actual return, forecasting , etc

## PRESENTER

### Dr. Jamal F. AlBahar, PMP, AVS

Registered Arbitrator Dubai, U.A.E. and Kuwait - Associate Value Specialist, SAVE, USA

Active Member: PMI, CMAA, AACE, AAA, PMA, SAVE, CSI,

President, PROMIS- Project Management Engineering Systems

Dr. AlBahar, is a regional expert in project management applications and a well recognized consultant in construction contracts and claims analysis. Dr. AlBahar is a frequent regional and international speaker on subjects related to project management, construction contracts, tendering procedures, claims analysis/evaluation, arbitration, and value engineering. Dr. AlBahar has conducted over 500 public and in-house training courses in the last 25 years on subjects related to contracts, claims analysis and pricing, project management, value engineering, budgeting and cost estimating, and effective project administrative procedures. Dr. AlBahar is a registered arbitrator in Kuwait, Bahrain and the U.A.E.

## PROGRAM

### DAY ONE

- **Introduction to Project budgeting and cost control**
  - Budget and cost as a key financial statement
  - Approach to cost control
  - Modern techniques, systems and software
- **Cost Breakdown Structure (CBS) and chart of account**
  - Levels (Overall, Operating centers/Segments, Cost centers, Activity based, Element of cost, Detailed elements)
  - Key levels (STD element of cost, Activity cost)

### DAY TWO

- **Budgeting and cost control methods along with their links, if any**
  - Activity based
  - Chart of account based
- **Budgeting and cost control process**
  - Process overview, best practices and responsibilities (In EPC projects and matrix organization).
  - Main flow of work (Estimation, Budget and Budget revision, Actual cost of work performed, Ledger and accruals, Earned Budget, Forecasting)

### DAY THREE

- **Cost Estimation and Budgeting**
  - Steps for proper budgeting/estimation assumptions
  - Data collection
  - Types of budget/estimation
  - Budgeting methods
  - Budget control

- **Actual Cost allocation and processing**
  - Job order costing (Cost coding)
  - Process costing
  - Activity based costing including average rate

### DAY FOUR

- **Forecasting**
  - Forecasting best methods and formulas
  - Breakeven analysis
- **Cost analysis and analysis of variance (rate, Qty and cost)**
  - Variances determination
  - Follow up and performance review
  - Budget revisions and forecast adjustment.
- **Variations (Change order/extra work) and budget adjustment**

### DAY FIVE

- **Reporting**
  - Best reporting practice and content.
  - Project reporting
- **Users' Cost consciousness and interest / attraction**
  - Best practice/ tactics to resolve communication problems and obstacles
  - Understanding the need of cost control
- **Closeout**
  - Project Cost this period
  - Project Cost to Date
  - Cost to Complete
  - Percent Complete