



### OBJECTIVE

It is very common for business to be overly focused on revenue streams without giving the same emphasis of care on their cost control framework. This is a balanced course that looks at the dynamics/function between the two. It highlights best practice methods for reducing costs without hampering revenue streams and it looks at various ways to scale up/down to reach economies of scale. This course should be seen as a practical course with plenty of case studies and spreadsheet models but none the less theoretical accounting is treated.

### KEY AREAS

- Understand how to build a real time cost map which is used for performance tests.
- Common pitfalls in budgetary processes.
- How to manage volatility on the balance sheet of the firm and its effects.
- Best practice insight into cost reduction
- How to build profit centres and reduce cost centre burdens.
- Gain complete overview into the effects of cost leveraging mechanics.

### FOCUS

#### THE COST FUNCTION

Gain insight into the cost function of your business model, what are the effects of additional output on the cost structure. Understand how to build a cost map benchmark system for the enterprise.

#### PROFIT CENTRE FOCUSED

How can the business leverage off its fixed cost model to enhance revenues, how can it use financial instruments to improve net present value of the firm & how costs are reduced via better procurement practices.

### WHO SHOULD ATTEND

- Treasury Staff
- Audit Staff
- Financial Controllers
- Procurement Officers
- Risk and Compliance Staff
- Accountants and Financial Analysis
- Business Managers involved in budgeting.

**Receive spreadsheet models for cost management**

### About your trainer



Martin specializes in designing financial measurement systems with a particular focus on economic capital frameworks. He has more than 10 years experience developing bespoke knowledge / workflow and scorecard solutions for banks, stock exchanges brokerages, regulators and energy houses in both strategic and processing areas of the business. He has a particular interest in lending products and in assisting firms reduce capital arbitrage in their economic capital models. Primarily he is banker with experience in both the markets and investment banking and he is currently working with several institutions throughout South East Asia. In the capital markets arena Martin has worked closely with a stock exchange in the region assisting the exchange design a new energy instrument and futures contract. In addition to Martin's work within the capital markets and banking sector he is a credited trainer for structured finance, project finance, cost modelling, credit and operational risk.



Day 1 Agenda • • • • •

**FINANCIAL INSTRUMENTS AROUND COST MODELS**

**Session 1**

- 08:30 **Introduction to cost control**  
Gain a complete insight at a top level on this program. Review case studies where failure of sound cost control policy has driven business failure, introduce key terms and list best practice methods.
- 09:30 **Central Cost Maps & Plans**  
Go through the steps of building a cost control framework review definition, policy, reporting, benchmarking and understand what variables need to be captured in the cost database.
- 10:30 Coffee Break
- 10:45 **Budgeting & cost forecasting**  
Look at the various stochastic methods for forecasting costs, understand effects of cost volatility on cash flow.
- 11:45 **ACB Cost Analysis**  
Gain insight into ABC cost analysis as a forecasting tool, show how activity based costing can link a true value against a process or product.
- 11:45 Coffee Break
- 12:00 **Real Options**  
Use real options modelling to truly price expansion programs at a cost level. Understand how to use real options to make procurement decisions.

**Session 2**

- 14:00 **Tax and Cost Schedules**  
Gain insight into tax benefits from a sound cost accounting model. What are the international accounting rules and how are they applied for compliant cost reporting.
- 15:00 Coffee Break
- 15:15 **Funding Costs & Leverage**  
Look at various methods of funding costs, understand how to sweep debt between physical reporting periods and the effects of cost transference on the net present value of projects.
- 16:15 Coffee Break
- 16:30 **Cost Risk Measurement**  
Look at market, credit, operational risk as a reserve expense. How to statistically generate a VaR model for estimating potential loss is discussed. Why is risk management important from a cost accounting perspective will be discussed. How to build a model to forecast potential losses will also be shown. Spreadsheet examples will be given to explain this complex topic in an easy to follow manner. Understand how to price risk in business delivery and understand the effectiveness of control improvement and insurance for cost reduction.
- 17:30 Day One Complete

**OBJECTIVE**

The first days begins by building a fundamental framework for monitoring cost, mapping costs to business units, forecasting and budgeting for costs and understanding the dynamic function between costs and revenues.

“Exciting day we didn’t realise how many gaps existing in our systems was before we attended this course” – Saudi power station

**KEY LEARNING**

- Set up a best practice cost framework
- Understand unit cost production models and contribution effects of cost.
- Gain insight into how to reach economies of scale, what is optimum production level, how do we set benchmarks

Day 2 Agenda • • • • •

**COST REDUCTION PROFIT ENHANCEMENT STRATEGIES**

**OBJECTIVE**

In the second day we tackle specific strategies for capping costs and driving better process design. In many cases it is possible to achieve the same standard for a lower cost how this is achieved is covered using case studies.

“There is more to effective control of resources and variable cost components than first appears obvious, this course is extensive” – Philippines Bank

**KEY LEARNING**

- Best practice methods for reducing costs.
- How to improve procurement processes that reduce risk and are more cost focused.
- How can costs be hedged? What is a cost option efficiency model?
- Profit Centres in more details. Turn cost centres into them.

**Session 1**

- 08:30 **Typical Cost Reduction**  
Look at the key areas for cost reduction, including resource management, financing, sell/lease, equivalent funding, process consolidation and many more case studies for different areas of the business.
- 09:30 **Outsourcing Models**  
Gain insight into how to evaluate outsourcing models, learn how to price such services and to benchmark against existing and projected cost models.
- 10:30 Coffee Break
- 10:45 **Cost Effective Procurement**  
Look at the best practice approaches for Procurement, learn how to set Procurement policy and to keep such processes competitive. Review approaches for managing Procurement contracts to share liability and reduce risk cost.
- 11:45 **Hedging Cost Risk**  
Look at methods to reduce costs and losses through hedging instruments. Learn how to manage such exposures in an ongoing manner.
- 11:45 Coffee Break
- 12:00 **Cost Centre vs Profit Centre**  
Look at the key methods for converting a cost centre into a profit centre, by increasing revenues to reduce costs.

**Session 2**

- 14:00 **Cost Efficiency & Capacity**  
Understand variance analysis and how to calculate sales volume, mix and pricing variances into cost models. Add this structure to the main cost map framework. Learn about capacity utilisation and target cost models. Gain insight into transfer pricing and the implications of inter-divisional product pricing. Learn how to apply such reports to a uniform tax code.
- 15:00 Coffee Break
- 15:15 **Audit and Cash flow**  
Extend the cost map framework, so that expenditure processes can be easily audited, policy deviation tracked and how exceptions should be managed. Learn how to complain cash flow and cost accounting
- 16:15 Coffee Break
- 16:30 **Incremental Cost Analysis**  
The course will finish by bringing all the topics together and show at a top level the impact to WACC for cost variance, how to apply the analysis model to production units, service units and product division. Learn about Scarce Resource Analysis and long inventory classes/cost of carry.
- 17:30 Day Two Complete