

All below is mandatory for 1.2.3 PCCM

Legend	
WIP	Work in Progress
GM	Gross Margin
GP	Gross Profit
Dec	Finance system
COC	Certification of completion
AC	Actual cost
CS	Cost of sales



1.2.3 Project Cost Control Methodology "PCCM" Three Steps For marvelous Project Cost Controlling

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Monitoring & Controlling Phase

PM, Coordinator, PMO Manager & Collection department * Daily - Weekly - Monthly	PM, PMO Manager and Finance department * Monthly - Quarterly - Yearly	Note:
<p>2.1 What to review:</p> <p>* Planes:</p> <ul style="list-style-type: none"> - All Project Costing Plan. - Project schedule meeting plan with all above. <p>* Invoices:</p> <ul style="list-style-type: none"> - You must invoice according to the approved plan. - Second you push/follow down to the point till your customer accept the invoice. <p>* Collection:</p> <ul style="list-style-type: none"> - Follow with collecting department till you collect your invoices. <p>* And all below:</p> <ul style="list-style-type: none"> - How much you invoice. - How much you pay. - How much you collect. - How much you will invoice. - How much you will pay. - How much you will collect according to completion in the project. - What is the project status and the Risk. - Is there any changes expected in the plans to get the approval for it. - Planned GEM/GUP vs Actual GM/GP - Provision - WIP. <p>* Document and risk flag:</p> <ul style="list-style-type: none"> - Take a MoM for all orders/changes/discussion and email to get the acceptance for it. - For any changes or risk you have to raise up the flag and call for a meeting and run the approval cycle process for the changes that you encounter. - You have to follow the approved change finance cycle that created at the beginning of the project. - You must take all stakeholder approval (Internal/external) if its required. - This should be done once its required at any time, and as much as you be sure that you did your first phase in a prepare and correct way that's mean you will need the part one. 	<p>This is the most important meeting's to be held. Driving that meeting you will be sure that all your numbers is on table.</p> <p>And your number is matching the head of finance department number. So you will be sure that you're on a right direction.</p> <p>What to review:</p> <p>* Planes:</p> <ul style="list-style-type: none"> - All project costing plans. - Project meeting schedule plan with all above. <p>* Invoices:</p> <ul style="list-style-type: none"> - You must invoice according to the approved plan. - Second you push/follow down to the point till your customer accept the invoices. <p>* Collection:</p> <ul style="list-style-type: none"> - Follow with collecting department till you collect your invoices. <p>* And all below:</p> <ul style="list-style-type: none"> - How much you invoice. - How much you collect. - How much you will invoice. - How much you will pay. - How much you will collect according to project completion. - What is the project status and the Risk. - Is there any changes expected in the plans to get the approval for it. - Planned GM/GUP vs Actual GM/GP - Provision - WIP. <p>MoM for all orders/changes/discussion and email to get the acceptance.</p>	<p>What's:</p> <p>1- GM: Gross margin is a project total sales revenue minus its cost of goods sold (COGS), divided by total sales revenue, expressed as a percentage</p> <p>2- GP: Gross profit is a project total revenue (equivalent to total sales) minus the cost of goods sold. Gross profit is the profit a project makes after deducting the costs associated with making and selling its products, or the costs associated with providing its services</p> <p>3- WIP: From where WIP comes: If you deliver a materials to the customer and you didn't invoice it, system will take the material amount and add it to the WIP, he is expecting you as PM to invoice the delivered materials, therefore he don't want to let your project with a loss because you didn't invoice.</p> <p>4- Provision: A provision is an amount set aside from a company's profits for an expected liability or for the decreasing value of an asset, though the specific amount might be unknown</p> <p>5- AC: Actual cost = Material + labor + any actual amount for your projects and you can see it in the system.</p> <p>6- Cost of sales = Actual cost-WIP - Reserve income</p>

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Project Cost Close phase

Once your project is finished, invoiced, and you're not expecting any additional cost or payments, and there is NO reserved income for the customer under your project, and you already reviewed the WIP, and you received single COC, at that moment you can process with closing the project on with finance department and company system.

- 1- Be sure that you collected all project amount and all invoiced amount.
- 2- Be sure that you paid all planned contracts and subcontracts - suppliers, all invoices that under your project.
- 3- Be sure that all bank and guarantee documents all ready released and was amount paid and every thing is done, paid and closed.
- 4- After that meet with salesman because he's the project budget owner and lead with him a meeting to close the project with Finance department.
- 5- After that call for another meeting with all project stakeholder to present the result of the project and review the financial before you close the project in PMO office and consider this project as a closed project and during this meeting you have to present the lesson learn.
- 6- After that fill the lesson learn template and distributed among all stakeholder.

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Collecting & Planned Cost Control Phase

Collecting everything:

1.1 **YOU MUST** - Contact your TMO/Sales/Finance department to handover all pricing proposals even internally quotations or externally. And all (Verbally commitment - official meeting - letters... etc.) after that let everything in one costing report and distributed among all stakeholder.

1.2 **YOU MUST** - Take all communication letters or e-mails that have related issues to cost from TMO & Sales and top management or Finance department, bank law ... etc.

1.3 **Create Version #1** project cost control sheet:

This should be done according to all feed document that you get from your company.

This version #1 must show the following:

- * Cost per item.
- * Profit per item.
- * GM.
- * GP.
- * Cash flow required to initial and run the project till collection started.
- * Sales commitment.
- * Bank guaranty.

1.4 **Create Version #2** after you start negotiate with all your supplier proposals and quotations and resources cost and services cost with spare part and everything that you thing that you need in the project that costed by company or they forget it.

This version #2 must show the comparison between version (COGM/GRM, PM, #1 and TMO/PMO/GRM).

- * Cost per item.
- * Profit per item.
- * GM.
- * GP.
- * Cash flow required to initial and run the project till collection started.
- * Sales commitment.
- * Bank guaranty.

1.5 **Create Version #3** after you review the SOW "Scope of work" with your customer and you be sure that all your costing controlling plans and sheets according to version #2 is covering everything from your customer eyes, YES you can ignore the plans and cost sheets and get the final approval from your management for it.

But if there is a missing parts, you have to do the following:

- * Negotiate with your customer & with your company to agree with them how must handle this part in the scope.
- * Once you agree on that cost, document this officially.
- * Start communicate with your supplier to get the proposal and quotations for it (This cost be done before you know how will handle the cost, just to know tentatively what's the cost during negotiation).
- * After that you must agree in the cost and modify the cost sheet version #3 to be version #4.
- * Change all project cost plans and cost sheet according to the new changes and get your top management approval and fly with a nice project with very low change order during execution.

1.6 **You MUST** take the final approval for the GM/GUP in version #4 from the head of your company head for the final cost controlling plans and cost sheets, for example: (COF/COG-COD-CSD-PMO).

1.7 **Template PM MUST** create or have to execute this phase 100% right:

1.2.3 methodology templates:

PM must create or have all below templates or more and fill it and get the approval for it in this phase "M1" in next phase "M2" during execution you have to check/monitor and control during project live cycle:

- 1- Project meeting plan.
- 2- Project collection plan.
- 3- Project costing plan.
- 4- Project contracts, supplier and vendor payment plan.
- 5- Bank less payment plan.
- 6- Project monthly cash required plan.
- 7- One report present all above in one sheet.
- 8- It will be fantastic if you have a dashboard for all above.
- 9- Change order template & approval cycle.
- 10- Risk template.

1.8 **Department the you have to work with:**

Internal:

- 1- Sales.
- 2- Finance & HR.
- 3- Admin.
- 4- All Stakeholder.

External:

- 1- Customer.
- 2- Bank.
- 3- Suppliers.
- 4- Vendors.
- 5- Direct order and purchasing.
- 6- All Stakeholder.

Notes:

- * Any cost sheet must have all the following: Revenue- Cost- GM- GP- WIP- Provision.
- * For any clarification you need to contact salesman/ accounts manager because he's the project budget owner in the company till you take the flag.

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Created by ALMBAKHD SHARAD