Curriculum to the Seminar "Cost Management" for Small and Medium-Sized Enterprises

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1. Summary of the main characteristics

1.1 Objective

The competitiveness of a company is determined not only by marketable services or products, as well as highly-profitable sales. At least equally important are the business structures that ensure the future viability of the company. Small and medium-sized enterprises are at a disadvantage in comparison with large enterprises, since it is often the case in the SMEs that all resources are bound to the daily business.
The objective of this seminar is to provide decision-makers in small and medium-sized enterprises (SMEs) with the possibility to assess correctly the situation in their company and to enable short-, midium- and long-term financial planning with the help of figure indicator-based controlling. This is not only liquidity-driven but also start cooperation with foreign capital providers on a well-founded basis. Thus, companies are in a position to assess the success of their business e.g. on the monthly basis and are able to act facing undesirable developments. The seminar provides also the basic knowledge concerning investment accounting and corporate financing.

1.2 Target groups

Entrepreneurs, executives in companies, start-ups.

1.3 Duration and timing

The course should comprise about 12 clock hours or 15 teaching hours. It is to be provided alternatively:

a) 1.5 full days in the week or on weekends (Friday + Saturday)
b) 4 evenings, 3 clock hours each
c) Combination of day and evening classes

The first day includes the presentation of the foundations of investment decisions and corporate financing, as well as the electronic management and controlling system. During the second day the applications of the electronic management and controlling system will be presented, trained on the basis of the examples in their own enterprises and specific solutions should be developed by individual participants.

1.4 Qualification of lecturers

The seminar should possibly be conducted by lecturers who have both in-depth knowledge if financial management and cost control, as well as country-specific knowledge, in particular the financial framework conditions. In addition, teachers should be familiar with the application of the electronic management and controlling system. It is recommended to have at least two teachers in one seminar. The teachers should not only be professionally competent but also have experience in the field of didactic presentation and discussion. The advantage is of course the guidance of group work and conducting the presentation of partial result of working groups.

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1.5 Required technical equipment

- Flip chart
- Blackboards
- PC with a beamer
- Internet access for the lecturer's laptop
- Screen
- At least 3 laptops for participants for the group work

1.6 Methodological and didactic remarks

- Depending on the knowledge of participants, the basic relationships are dealt with as far as necessary but they can be deepened at any time.
- Working groups should be established and rounds of discussions should be conducted for each block of topics.
- Formation of 3 working groups to work on one example company. Participants can switch between the groups in the course of the seminar.
- For the last group there are 3 laptops with the electronic management and controlling system available. The system contains 3 identical examples of problematic operational results. Participants have to develop a meaningful concept in the system and present it at the plenary session.
- Participants receive written documentation (lecture manuscripts and presentations, schedule of the seminar, as well as a one-page contract and information for the group work for each meeting of a working group). At the end of the seminar, each participant shall receive a certificate as well as the electronic management and controlling system.
- The respective host organisation will possibly nominate a contact person who will be available also after the seminar to answer questions concerning the application of the systems for enterprises.

2. Seminar concept

2.1 Overview of the key topics

- **Foundations of investment decisions**
- **Objectives of investment accounting**
- **Investment accounting as decision support**
- **Calculating the return on investment (ROI)**
- **Foundations of corporate financing**
- **Determining the short- and long-term capital needs and creating a financial plan according to the timelines**
- **Special forms of financing**
- **Importance of the amortisation of liquidity**
- **Alternative use of capital**
- **Controlling with figures on the basis of electronic control and electronic system**

2.2 Key topics and contents

2.2.1 Key topic 1: Foundations of investment decisions

Main types:

Replacement investment is needed in order to ensure effective functioning of the company;
Growth investment is necessary of a company wants to grow on the market or with the market;

Possible investment fields:

Personnel;
Marketing;
Real estate;
Machinery;
Stocks;
Vehicles;
etc.......

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2.2.2 Key topic 2: Objectives of investment accounting

Determining the capital requirements for the replacement and/or growth investments according to time structures (month, quarter, six months, year, short-term, long-term);

Assessment and evaluation of the risks and the usefulness from the point of view of business objectives and corporate philosophy;

2.2.3 Key topic 3: Investment accounting as decision support

An example from the round of workshops will be presented:

Description (Replacement /growth investment)
Value of the investment, amortisation period, and amortisation amount,
Interest rate, repayment terms, maturity ,
Calculation on a flip chart pad on the x/y-axis from the beginning to the end of the investment period;
evaluation and decision-making afterwards;

2.2.4 Key topic 4: Calculating the return on investment (ROI)

The round of workshops provides investment examples:

in the case of start-ups it is a holistic view of
.. turnover
.. goods used
.. personnel costs
.. other costs
which is to be presented and the result is to be described according to its significance;
Assessment of the outcome in terms of life needs,
Loan servicing capacity (provision of interest and repayment) and creating reserves;

In the case of growth investments the additive contribution of the new investment by time structures, amortisation values and tax conditions should be presented on the flip chart;
as a decision-making measure on a risky market it is necessary to assess and to prove whether an early repayment (return) of the volume of investment, independent from tax law regulations concerning higher amortisation, seems to be necessary or useful.

2.2.5 Key topic 5: Foundations of corporate financing

Examine and present the existing funding and liquidity position;
Identification of the existing and future financial performance;
Assessment of past risks and their implications for the future according to timelines.

(presentation on a flip chart according to the x/y- axes);
Catching up with the existing external credit status;
Clarification of the competitive situation among the potential funding partners and documentation of the financing conditions according to the amount, duration and the associated costs (premium);

2.2.6 Key topic 6: Determining the short- and long-term capital needs and creating a financial plan according to the timelines

Under the current liquidity situation and the expected liquidity potentials (result, debtors / creditors) should be presented on an x/y axis on the basis of months/years of the expected liquidity inputs.
In contrast, the capital needs for future investment is entered into this chart.
Over the entire length of the chart (short, medium-, long-term) the differences between the available and/or expected liquidity and the investment needs on the timelines are presented.

2.2.7 Key topic 7: Special forms of financing

In addition to the most common form of debt financing (subject to the same high repayment rates according to monthly/annual amounts, the repayment deadline plus the decreasing interest charges) or loan (equally high overall performance rates over the agreed period of time increases the enclosed capital repayments and decreases the interest rates accordingly) at a bank (present different form of financing patterns on the flip chart) check whether the form of leasing is ineffective.
Testing comparing the rates of capital service (interest and repayment) with the repayment rate.
Note: in the case of leasing, no property acquisition and therefore no tax amortisation is possible but costs and instant tax rebate; important in the assessment is the internal rate of return of the interest rate compared to the credit interest rate with conventional financing and the residual value of the leased property at the end of the lease period.
In the case of high-tech devices, the residual value at the end is generally very low and it is necessary to determine whether an application prolonged in time in the company is reasonable and the effectiveness remains the same. (cover the different rates which are to be calculated on the basis of examples from the round of workshops)
Leasing can also be strategically preferable if the available credit lines are blocked for more important investments. Special forms of leasing with one-time payments and residual value agreements are the examples from the round which are to be presented and calculated.
Another special form of financing is factoring: in the case of factoring, valuable assets are sold to a factoring company which accounts relevant liabilities or direct deductions;
de facto, the factoring company transfers the total invoice amount immediately;

using examples from the round within overall financing examples it needs to be examined whether the liquidity advantage (return comparison outweighs the additional costs for factoring.

2.2.8 Key topic 8: Amortisation

The amortisation of fixed assets includes tax components and the treasury participates in the repayment of loans which are made for investments in a taxable business.
The importance of amortisation for the development of liquidity in enterprises is high.
The amortisation methods are prescribed by the law and depend on the length and amount, the meaningful and effective and timely use of goods.
Within the framework of an investment and financing procedure (Example from the round of workshops on the flip chart), the amortisation in an ideal case has the function of the repayment amount, since this way the government involvement in financing can be used optimally.
Depreciation and amortisation do not match (depreciation incongruence) when the repayment is smaller than a higher net liquidity;
if repayment is larger than the amortisation, the excessive amount of repayment from the after-tax earnings of a company needs to be removed, thus resulting in the loss of liquidity.
(Example from the round of workshops with different results - examples of amortisation and repayment).
Consideration of risk reduction in the case of growth financing from higher repayment incongruent with the amortisation;
Balance between the loss of liquidity and acceleration of the cash returns on investment.

2.2.9 Key topic 9: Alternative use of capital

Within the framework of a financing strategy, it is also necessary to test whether sufficient capital is available, which should also be used to finance investment goods.
If alternative use is expected in respect of the equity in other investments (e.g. shares, investment funds, etc.), higher after-tax returns can be expected, as the cost of obtained foreign capital has a yield-reducing effect, this can be covered as risk assessment of the overall arrangement. (This should be shown on the basis of the examples from the group)

2.2.10 Key topic 10: Controlling with figures on the basis of electronic control and controlling system

Controlling with figures

Controlling systems based on economic analyses

Forecasting for short-medium periods

Liquidity planning

(see Appendix: Controlling Programme Operational Guide "Companies on Track")

3. Certificate

Participants receive a certificate after the seminar with listed training concepts (key topics) and signed by the representatives of the training centre.

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