

ENTERPRISE FINANCIAL MANAGEMENT: METHODS AND ASSESSMENT

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Abstract: Financial management is a system of measures aimed at optimizing the financial performance of a company. What goals and functions of financial management can be distinguished? What are the financial management bodies? These and other issues are considered in this work.

Key words: Budget, enterprise, project, finances, cost, expenses.

A well-managed project will be completed on time, with value in mind, and within budget. It often happens that cost is one of the main factors determining the success of a project - no one wants to be held accountable for cost overruns. With this in mind, how do you make sure you “fit” into your project budget?

The simple answer is “control”. If you are going to take every chance to stay on budget, then you need to actively and systematically manage project costs. Fortunately, there are many tools and ideas that this control can give you.

Project cost management includes three main processes:

- Budgeting - Performing a realistic estimate of the cost of the resources required to complete the project.
- Budgeting - Estimating the costs of individual work items and establishing a baseline for measuring performance.
- Cost control - Control over changes in the project budget.

By managing these processes, their input and output, you can develop an effective system to ensure that your resource costs remain within the approved budget. Simply put, project cost management involves the process of doing the following:

- The relationship of budget boundaries, between project developers and people who implement the project.
- Collecting real data on expenses.
- Comparison of actual costs with the original budget.
- Taking corrective action if necessary.

Let's take a look at these project cost management processes in turn.

1. Budgeting

Evaluation is a critical part of project finance management. Evaluation is used for all activities, including budgeting, forecasting, resource planning, and staffing. It is very important that you estimate the costs of all resources that will be included in the project - including items such as labor, materials and supplies - as well as any contingency costs.

The cost estimate is an estimate of what the total cost of all the resources needed to complete the project will be. It is also a good idea to identify and consider economic alternatives and include them in the estimate.

To determine the cost of costs, you can use various options, the most common of which is the Work Breakdown Structure (WBS). This is a detailed list of all the activities that need to be performed and the activities that need to be carried out to complete the project. The project scope description also provides

information related to resource requirements, constraints and assumptions - which can help you identify cost alternatives, if necessary [6].

There are many tools and techniques you can use to complete your assessment:

- Similar cost estimate - Use data from previous projects to determine the cost estimate for the current project. This can help if you have limited information about the details of your running costs. For example, look at similar or similar items from the previous draft, add 5% after adjusting for inflation, and you can get an informed estimate of the cost.

- Cost of Resource Rates - Determine the cost for a unit of time and materials using the various quotes and planning documents you receive. For example, if the labor costs for a construction project are on average \$ 12 per hour and you need 10 people to work 160 hours each, the labor cost estimate would be \$ 19,200. Add on the material costs and you get an overall estimate. construction cost.

- Bottom-Up Estimation - Use the smallest component in the work allocation structure, and estimate the cost for each one. Then combine them as you move up the levels to determine the overall cost estimate. For our construction example, we need to build walls, add plumbing and electrics, add doors and windows, floor finishes and paints. Estimate the value of each of these elements, and add them together.

- Parametric cost estimation - Use a statistical relationship between costs and some other characteristics of the items that are being estimated. The area of an apartment building or the number of words written on a page are examples of the elements used to create a cost estimate. If our construction project is 800 square meters, and it costs about \$ 60 per square meter, for the construction and decoration of office space, then the total cost of work will be \$ 48,000.
- Computer programs - Many project management programs can calculate cost estimates for you using statistics or simulations.

Once you have determined your cost estimate, make sure you write down the information and document the entire assessment process.

If you need to provide auxiliary parts, you may need to connect the following data:

- Description of the activity.
- Documentation of your methods and calculations.
- List of assumptions and applicable restrictions.
- Values of reasonable errors of your estimate.
- Budgeting

Now that you have collected the cost estimates for your activities, you can start preparing the budget. This is a document that can help you get the funds you need to complete the project. You will likely have to stay within the original budget, so it is best to create an adequate reserve - a little extra funds - for unexpected expenses.

What you want to create as part of the budgeting process will serve as a baseline. This represents the approved budget that is used to compare and contrast with the actual costs of the project over time. The baseline serves as confirmation that the project's cost structure is in line with the originally-approved budget. Using the baseline, you can determine the effectiveness of ongoing costs that are in the established chapters. As the project progresses, costs are controlled relative to the baseline and any changes are expressed relative to the baseline. The baseline serves as the main indicator for assessing performance, so it remains stable, and all changes are reflected in relation to it [2].

It is important to maintain a good balance here. If your budget is too high, then you may not be able to succeed in securing funding for the project. If your budget is too low, you may not be able to meet the costs, and then there will be a possibility of the risk of an unfavorable outcome.

The tools below will help you prepare a reasonable budget for your project:

I. Total Cost - The aggregate, or sum of, figures in the estimated costs of your activities to determine the total amount of the budget. For example, to create a fully functional support service, add to the estimate the costs associated with renting space, hiring and training personnel, and purchasing and installing equipment.

II. Back-up analysis - Create a contingency budget - a range of additional funds - in addition to the estimated actual operating costs. This fallback account will help you deal with unplanned changes and unforeseen expenses that may be required at some point during the project.

III. Parametric Cost Estimation - Using predefined parameters to increase the budget amount for plan items that are not part of the performance estimate. For example, historical data can tell you that the average project in your organization is being completed 4% over budget. If you add an extra 4%, you are likely to improve the accuracy of the total budget amount.

IV. Financial Alignment Limit - When preparing a budget, you need to be aware of the expected cash flows. You are unlikely to be given all the money in advance to spend it as and when you want. You are more likely to walk through the expectation in order to manage your overall budget over the life of the project. This means that you should consider cash flows and, if possible, adjust the project schedule accordingly. A well-planned budget looks at how and when the work will be done, not just overall costs.

Project managers use the financial reconciliation limit to avoid large deviations in the recurring expenditure of project funds. They do this by aligning project costs with financial constraints specified by the client. Reconciliation may require revision of project schedules to manage costs; which in turn affects the distribution of resources [4].

Keep in mind that the total budget not only sets the baseline cost of the project, it also sets funding schedules. Be sure to include reserve funds to fund the growth, because requests for changes and contingencies are almost certain to arise.

Cost control. You may be contacted by people asking for changes, or additional features that need to be added to the project. If you accept these changes simply because they are good, and not because they were overlooked in the original scoping, then you will quickly go over budget.

Change requests are one of the reasons why cost control is so important, but at the same time there are other activities that are part of cost control. These include monitoring actual costs and analyzing variances between budget and actual costs. Therefore, it is important to create and implement an effective management system so that you can respond to changes appropriately, as well as discuss the need for cost changes in a timely manner.

Key elements of cost control include the following:

- Change management - This is a process that describes how changes in the baseline cost of costs can be proposed and implemented. It describes the procedures that people must go through if they want to request changes. This includes providing a list of documents to be completed, how the requested changes should be tracked, and what the approval process should be.

“Without a clear change process, people often ask for more and more for a project. Unless you have a structured way to deal with these requests, your costs will quickly run out of budget. It is worth keeping in mind that project cost management is not only about numbers, it is also about project scope management (Coming soon), and communication with people. Learn to be firm and recognize the changes that are really needed.

- Analysis of performance measurements - This is an activity that is related to numbers. You evaluate the value of deviations from the budget baseline, as well as the reasons for them and the corrective actions that are needed.

Project cost management will help you ensure that your project will be completed within the approved budget. This includes cost estimation processes, cost budgeting and cost control. Many project planning activities are used as key materials for financial management.

Project finance management is an extremely important part of overall project management. Cost is a key metric for a successful project, so always be aware of your actual costs versus your main budget. The faster you recognize deviations, the better you will be able to make the necessary adjustments.

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