

Finance and Business



فق
استشارات

Chapter 1

Finance and Business in the Facility Organization



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Chapter 2

Financial Management of the Facility Organization



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Chapter 3

Fundamental Cost Concepts, Containment Strategies and Chargeback in the Facility Organization



Chapter 4

Business Cases, Supporting Documentation and Financial Reports



Chapter 5

Procurement in the Facility Organization



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Chapter 6

Contracts in the Facility Organization



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Chapter 1

Finance and Business in the Facility Organization



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Content:

- 1- Finance and Business Overview
- 2- Fundamental Accounting Concepts





Financial Accounting



External

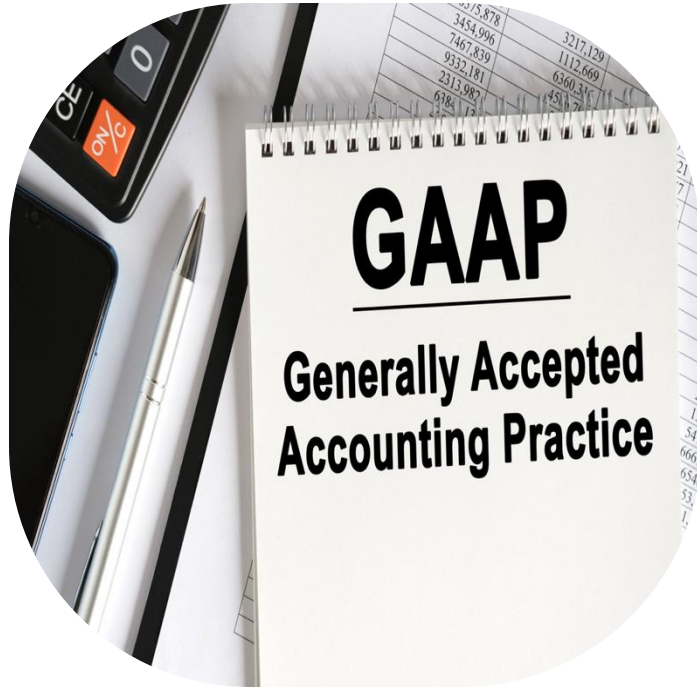
Management Accounting



Internal



Account Standard



Generally Accepted Accounting Principles



International Financial Reporting Standards

account categories

Assets

Revenues

Liabilities

Expenses

Net Assets/or Shareholder's Equity



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Chart of Accounts

Chart of accounts example

Account #	Account name	Account category
2122	Bank fees	Liabilities
6122	Rent expense	Expenses
4122	Cash	Income
2123	Mortgages	Liabilities
2124	Taxes	Liabilities
1122	Cash	Assets
6123	Wages	Expenses

Double-Entry Accounting



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Balance Sheet as of 9/30/2013

Assets				Liabilities	
Cash	\$9,500	Accounts Payable to Supplier	\$21,750		
Equipment	5,000	Credit Card Balance	5,250		
Inventory	15,000	Long-Term Debt	0		
Accounts Receivable	20,000	Total Liabilities	\$27,000		
Total Assets	\$49,500	Owner's Equity	\$22,500		

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

Expanded Accounting Equation

Assets = Liabilities + Equity + Revenues - Expenses

Balance Sheet

Income Statement

General Journal

Exhibit 1-6 General Journal Example

Date 20XX	Account Title and Explanation	Reference	Amount	
			Debit	Credit
February 1	Equipment Accounts payable (Purchased on water efficiency equipment account from Aqua Monitoring Systems Company)		€20,000	€20,000
February 2	Printing Accounts payable (Received invoice from Copy Max for water efficiency brochures)		€180	€180

General Ledgers

General Ledger Summary Demo Company (Global) From 1 June 2021 to 30 June 2021

[Add Summary](#)

Account	Debit	Credit	Net Movement
Accounts Payable (800)	1,592.60	7,756.26	(6,163.66)
Accounts Receivable (610)	2,248.18	0.00	2,248.18
Advertising (400)	2,309.47	0.00	2,309.47
Business Bank Account (090)	0.00	1,592.60	(1,592.60)
Computer Equipment (720)	1,969.99	0.00	1,969.99
Consulting & Accounting (412)	29.00	0.00	29.00
Freight & Courier (425)	115.50	10.00	105.50
General Expenses (429)	120.09	0.00	120.09
Inventory (630)	320.00	320.00	0.00
Light, Power, Heating (445)	100.32	0.00	100.32
Motor Vehicle Expenses (449)	380.00	0.00	380.00
Office Expenses (453)	107.11	0.00	107.11
Purchases (300)	775.98	0.00	775.98
Rent (469)	1,091.22	0.00	1,091.22
Sales (200)	0.00	2,067.60	(2,067.60)
Sales Tax (820)	599.97	170.58	429.39
Telephone & Internet (489)	50.00	0.00	50.00
Travel - National (493)	223.56	0.00	223.56
Unpaid Expense Claims (801)	0.00	115.95	(115.95)
Total	12,032.99	12,032.99	0.00

Accounting Cycle

- 1- Identifying transactions
- 2- Recording transactions in a journal
- 3- Posting to the general ledger
- 4- Preparing an unadjusted trial balance

Accounting Cycle

5- Creating a worksheet for adjustments

6- Preparing an adjusted trial balance

7- Preparing financial statements

8- Closing the books

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A brief explanation of each step follows below.

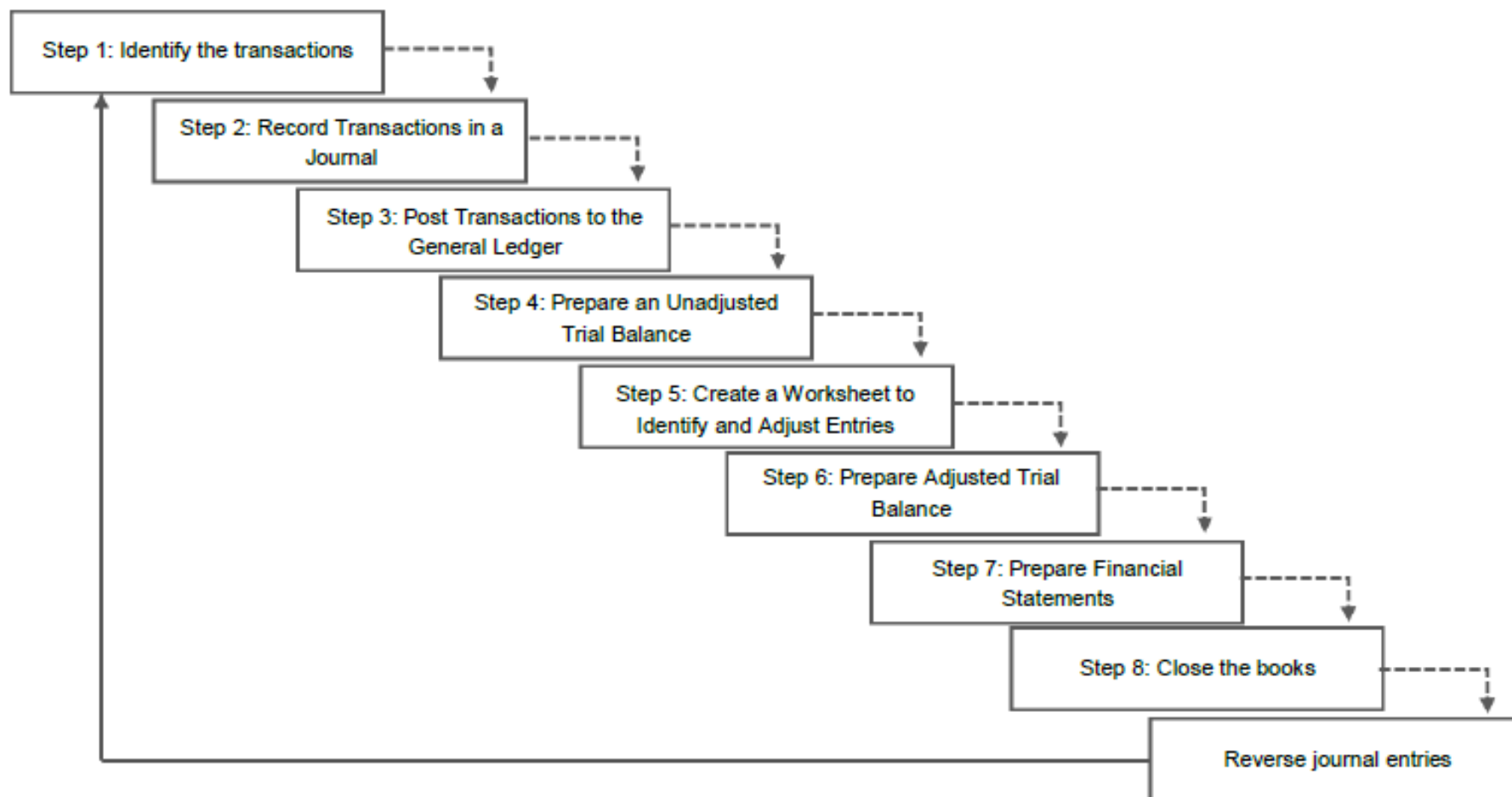


Exhibit 1-9

Chapter 2

Financial Management of the Facility Organization



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Content:

- 1- Budgets and Budgeting Basics
- 2- Financial Statements



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1- Budgets and Budgeting Basics



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Importance of Budgeting



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Budget Approaches:

1-Authoritative

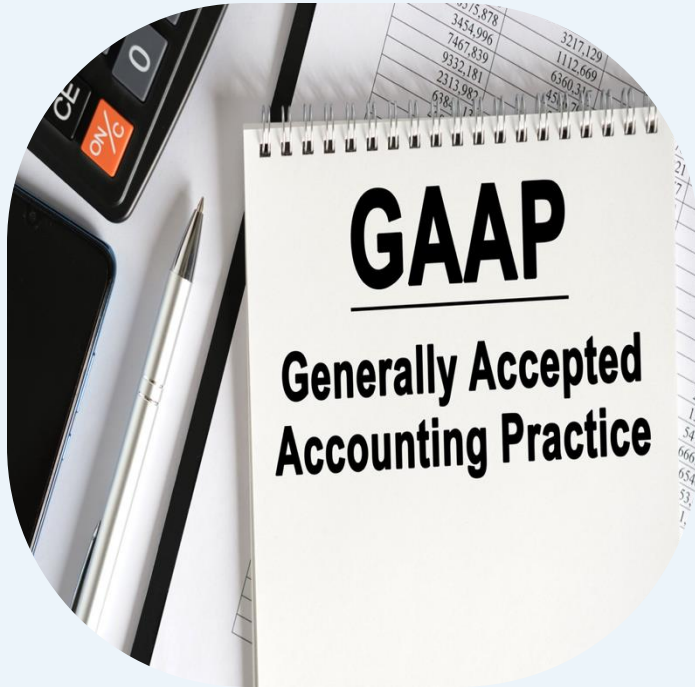
2-Participative

3-Combined



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Type of Budget



Operating Budget
(Short-term)



Capital Budget
(Long-term)

Fixed Budget

(Fixed Costs)

Variable Budget

(Fixed Costs)



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Budget Periods



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Budget Methods

- 1- Incremental Budgeting
- 2- Zero-Based Budgeting
- 3- Activity-Based Budgeting (ABB)



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Budget Monitoring



Budget Closeout



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2- Financial Statements:



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Internal Financial Statements

External Financial Statements



Audited Financial Statements

Unqualified opinion

Qualified opinion

disclaimer of opinion



Types of Financial Statements

Income statement

Balance sheet

Statement of cash flows

Statement of shareholders' equity



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For the Month Ended	12/31/22
Sales	-
Services Revenue	100,000
Other Revenue	50,000
Total Sales	\$ 150,000
Cost of Goods Sold	
Cost of Materials	10,000
Cost of Labor	5,000
Total Cost of Goods Sold	\$ 15,000
Gross Margin	\$ 135,000
Percent	90%
Operating Expenses	
Advertising	10,000
Accounting	5,000
Computer Services	5,000
Credit Card Fees	2,500
Insurance	2,000
Professional Services	500
Rent	25,000
Supplies	1,000
Utilities / Internet	5,000
Salaries	75,000
Total Operating Expenses	\$ 131,000
Net Profit	\$ 4,000
	-
Net Income	\$ 4,000

Income statement

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Profit and loss statement example

Profit and loss of company XYX

Total revenue	£100,000
Cost of goods sold	£20,000
Gross profit	£80,000

Operating expenses

Salaries	£10,000
Rent	£10,000
Utilities	£5,000
Depreciation	£5,000

Total operating expenses	£30,000
Operating profit	£50,000
Interest expense	£10,000

Income before taxes	£40,000
Taxes	£10,000

Net income **£30,000**

Balance Sheet Example

ASSETS

Current assets

Cash and cash equivalents	\$ 100,000
Accounts receivable	20,000
Inventory	15,000
Prepaid expense	4,000
Investments	10,000

Total current assets 149,000

Land	24,300
Buildings and improvements	250,000
Equipment	50,000
Less accumulated depreciation	(5,000)

Other assets

Intangible assets	4,000
Less accumulated amortization	(200)

Total assets **\$ 472,100**

LIABILITIES AND SHAREHOLDERS'S EQUITY

Current liabilities

Account payable	\$ 30,000
Notes payable	10,000
Accrued expenses	5,000
Deferred revenue	2,000

Total current liabilities 47,000

Long-term debt 200,000

Total liabilities **247,000**

Shareholders' Equity

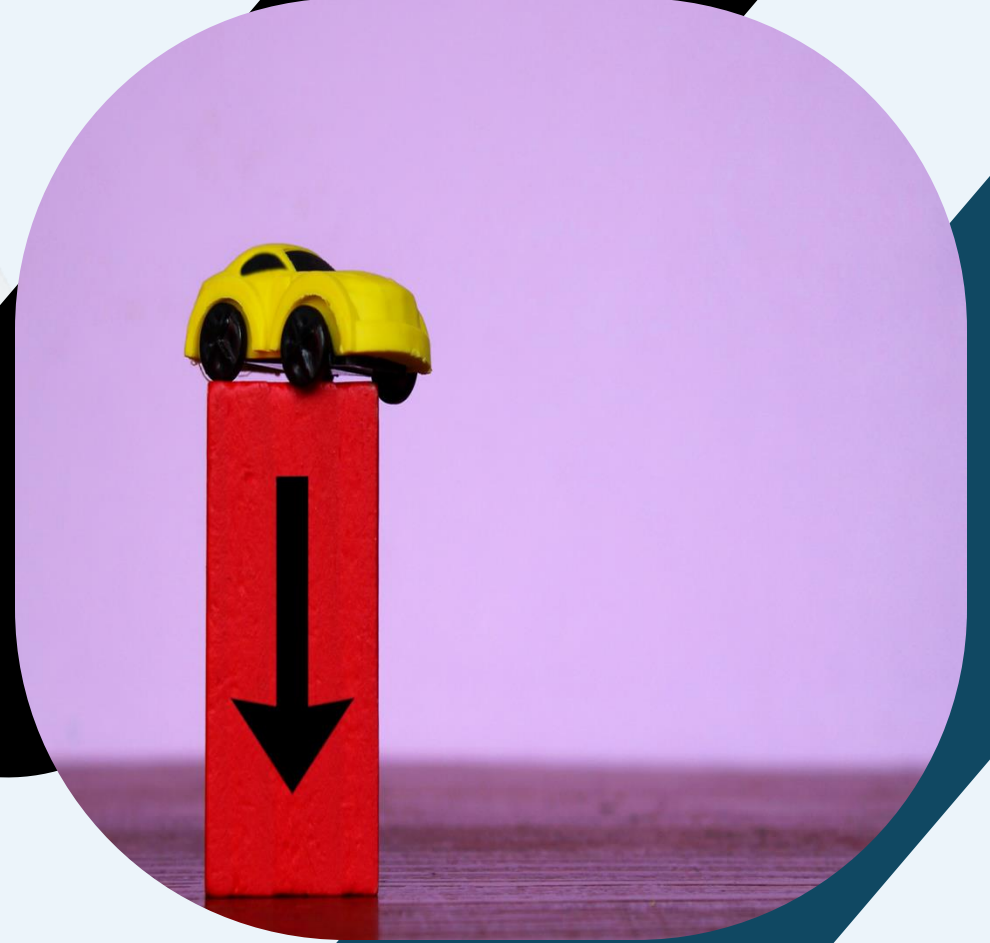
Additional paid-in capital	10,000
Common stock	20,000
Retained earnings	197,100
Treasury stock	(2,000)

Total liabilities and shareholders' equity **\$ 472,100**

Statement of cash flows

Statement of Cash Flows	
(Indirect Method)	
Ice Cream Stand Business	
For the year ended 31 December 2020	
	[31 Dec 20]
OPERATING ACTIVITIES	
Net income	\$25,000
Adjustments for non-cash items	
Depreciation	\$1,000
Changes in operating assets & liabilities	
Accounts receivable	\$(500)
Accounts payable	\$3,500
Net cash provided by operating	\$29,000
INVESTING ACTIVITIES	
Proceeds from sale of fixed assets	\$1,000
Payment for fixed assets	\$(20,000)
Net cash provided by investing	\$(19,000)
FINANCING ACTIVITIES	
Proceeds from long-terms loans	\$20,000
Net cash provided by financing	\$20,000
NET CASH FLOWS:	\$30,000
CASH BALANCES	
Cash at the beginning of the period	\$5,000
Cash at the end of the period	\$35,000
Net changes in cash for the period	\$30,000

Depreciation



Depreciation Methods:

1-Straight-line

2-Activity method



Depreciation Methods:

3-Accelerated depreciation

4-Modified Accelerated Cost

Recovery System



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Lease or Purchase for Capital Assets



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Analyzing Financial Documents

Financial Statement Ratio Analysis

Exhibit 2-19: Summary of Financial Ratios

Ratio	Description	Calculation
Liquidity/short-term debt ratios		
Current ratio	Indicates the general availability of cash to pay off liabilities (debts) as they come due	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Quick (acid-test) ratio	Provides a quick measure of an organization's immediate liquidity	$\frac{\text{Cash} + \text{Cash equivalents} + \text{Receivables}}{\text{Current liabilities}}$
Asset management ratios		
Average inventory turnover	Shows how many times an organization's inventory is sold and replaced over a period	$\frac{\text{Sales}}{\text{Average inventory}}$
Profitability ratios		
Gross profit margin	Relates sales to production costs	$\frac{\text{Gross profit}}{\text{Net sales}}$



Analyzing Financial Documents

FM Metrics and Ratio Analysis

Exhibit 2-20: Sample FM Metrics

General FM metrics

- Total occupancy cost/square foot
- Total occupancy cost/total staff
- Total occupancy cost/FM staff
- Budget variance/total budget
- Total FM budget/FM staff
- Total FM budget/total staff
- FM salaries/FM staff
- FM budget/total organizational administrative budget


Leased FM metrics

- Average lease cost/square foot
- Leased costs/owned costs (for various aspects of FM)

Operating and maintenance FM metrics

- Total utility cost/square foot
- Total utility cost/total staff
- Individual utility costs/square foot
- Operations and maintenance costs/square foot
- Operations and maintenance costs/total staff
- Custodial costs/square foot
- Grounds costs/acre (paved and planted)
- Garage costs/parking space
- Cost/service request
- PM vs DM (preventive maintenance vs deferred maintenance)

Relocation FM metrics

- Moving costs/staff moved, box move only, with construction and with construction and furniture moved (typically known as Churn and often benchmarked)
 - Cost/workstation provided or cost/square foot, administrative personnel, professional staff, managerial and executive
- 

Chapter 3

Fundamental Cost Concepts, Containment Strategies and Chargeback in the Facility Organization





Contents:

- 1- Fundamental Cost Concepts
- 2- Cost-Containment Strategies
- 3- Chargebacks



1- Fundamental Cost Concepts



Cost Classifications:

1-Hard and Soft

2-Variable and Fixed

3-Mixed Costs

4-Cost Drivers



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Assigning Costs

1-Direct Costs

2-Indirect Costs



Cost Measurement

1-Cost Accumulation

2-Unit Costs



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Cost Measurement

3-Cost Assignment

4-Cost Allocation

5-Cost Tracing



Cost Measurement

Traditional Cost Measurement

Activity-Based Costing (ABC)



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Cost in Decision Making

- 1- Differential Costs
- 2- Opportunity Costs
- 3- Sunk Costs



2- Cost-Containment Strategies





1-Communicate the Purpose

2-Engage Stakeholders

3-Lead by Example

4-Monitor and Adjust



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3- Chargebacks



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FM Role in Chargebacks

Cost Calculation

System Setup

Cost Tracking

Space Allocation



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Chapter 4

Business Cases, Supporting Documentation and Financial Reports



Contents:

- 1- Developing a Business Case
- 2- Business Case Financial Data



1- Developing a Business Case



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والبحر
والبحر



Writing a Business Case

1- Persuasive Writing

2- Bottom-Line Focus

3- Supporting Documentation



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Writing a Business Case

4- SWOT Analysis

5-Understanding Business Processes



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Components of a BC

1- Executive Summary

2-Introduction

3-Assumptions



Components of a BC

4- Business analysis

5-Risk analysis



Business Case Sample





Discounting Financial tools

Internal rate of return (IRR)

Present and Future Value



Discounting Financial tools

Payback Period

Return-on-investment (ROI)





Quantifying the Costs and Benefits

Time Value of Money



Quantifying the Costs and Benefits

Capital Investment Analysis



Net Present Value (NPV)

A circular inset image showing three black rectangular blocks with white letters 'N', 'P', and 'V' arranged in a row on a light-colored wooden surface. The background of the slide features a large, stylized graphic of a hand holding a paper airplane, with a blue and black geometric shape on the right side.

N P V

Quantifying the Costs and Benefits

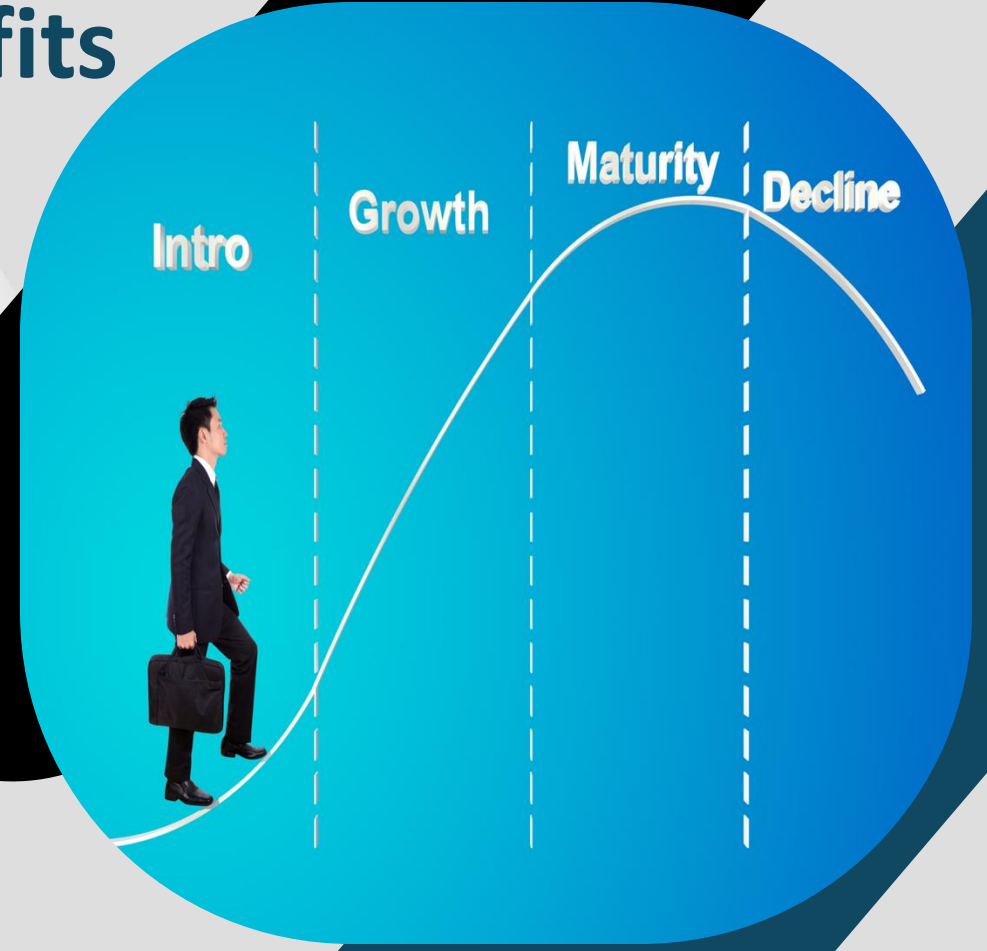
Concept of Best Value





Quantifying the Costs and Benefits

Life-Cycle Costing



Quantifying the Costs and Benefits

Benchmarking





Minimizing Risk in Capital Investments

Sensitivity Analysis



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والمستشارين



Minimizing Risk in Capital Investments

Scenario Analysis



Chapter 5

Procurement in the Facility Organization



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Contents

1-Procurement Procedures

2-FM Outsourcing



1-Procurement Procedures



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What is Procurement



Procurement Principles

- 1- Value for Money
- 2- Fairness
- 3- Competition
- 4- Efficiency



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Procurement Principles

5- Transparency

6- Integrity

7- Accountability



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Sustainable Procurement



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Procurement Process

1- Planning

2- Supplier Research



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Procurement Process

3- Requesting Bids:

RFP (Request for Proposal)

ITT (Invitation to Tender)

RFQ (Request for Quotation)



Procurement Process

- 4- Award selection:
- Lowest Responsive Bid
- Bid Evaluation
- Sole Source
- Single Source



2-Facility Management Outsourcing



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Forms of FM Outsourcing

1-FM Agent

2-FM Contractor

3-Total FM (TFM)



outsourcing

LOADING...

Why Outsource FM Activity?

Focus on core FM activity

Cost and efficiency savings

Staffing flexibility

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Outsource Advantages **VS** Outsource Disadvantages



FM Outsourcing Process:

- 1- Define Goals
- 2- Compare Costs
- 3- Identify Special Requirements
- 4- Assess Risk

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FM Outsourcing Process:

5- Consider Flexibility

6- Management Implications

7- Identify Special Requirements



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Chapter 6

Contracts in the Facility Organization





Contents

1-Oversight

2-Types of Contracts

3-Contract Monitoring

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Contents

4-Resolving Conflicts

5-Contract Risks

6-Contracting Fraud

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1-Contract Development, Management and Oversight





Contracts in FM Service:

- 1-Planned Services
- 2-Unplanned Services
- 3-Property Services
- 4-Sustainable Services



Contracts in FM Service:

2- Nature of Consideration

Bilateral Contracts

Unilateral Contracts



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Contracts in FM Service:

4- Based on Validity

Valid Contracts

Void Contracts

Voidable Contracts

Unenforceable Contracts



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Scope of Work



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Poor Example



Good Example



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2-Types of Contracts



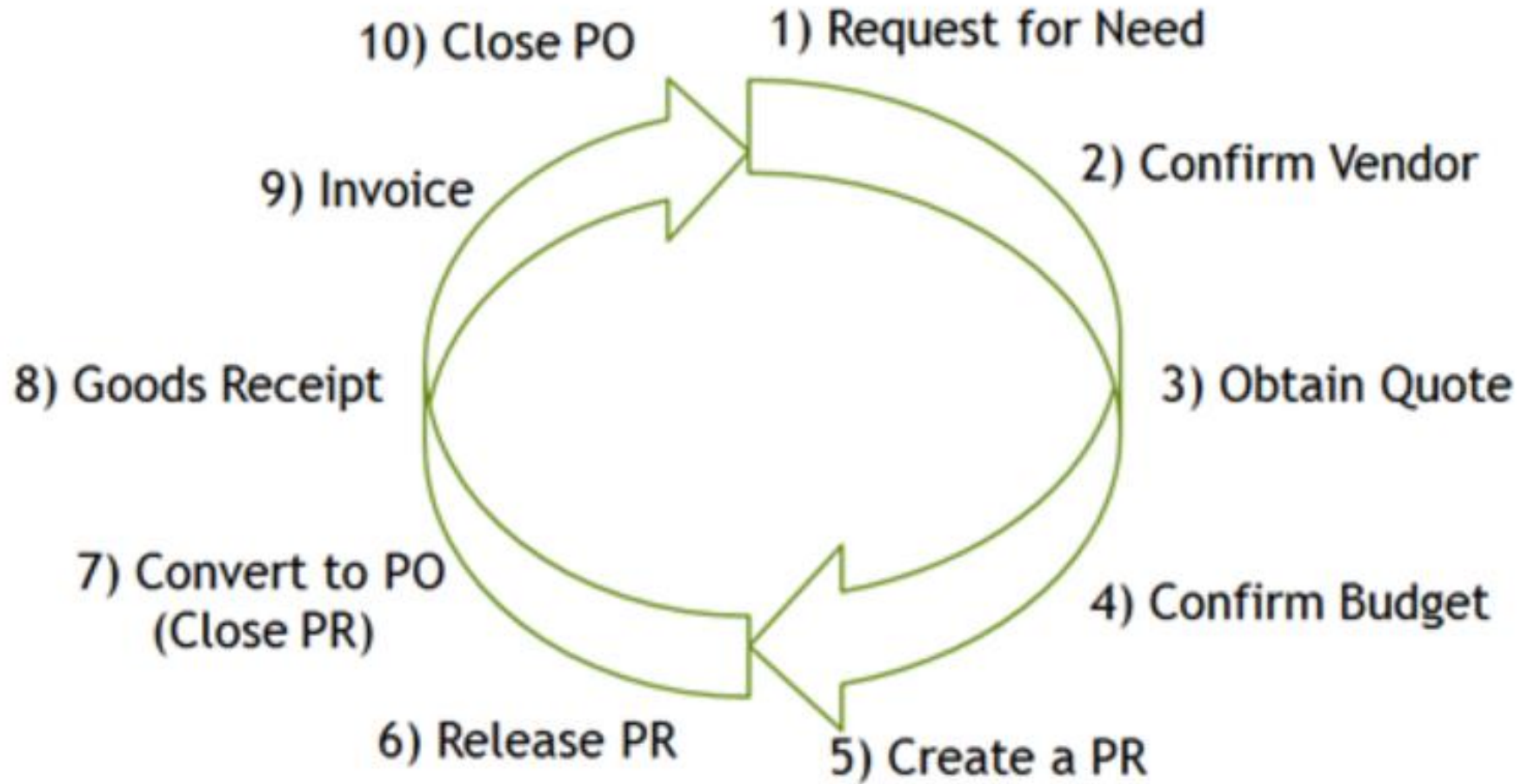
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Purchase Orders

- 1- One-Time Purchase Order
- 2- Blanket Purchase Order (BPO)



PR to PO Steps



Service Contracts



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Service Specifications:

1- Prescriptive Specifications

2- Performance-Based Specifications



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Contract Pricing Terms:

1-Fixed Price

2- Cost Reimbursement

3- National Buy



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Additional Pricing

- 1-Open Book Contract
- 2-Time and Materials
- 3- Labor Hour
- 4- Indefinite Delivery Indefinite Quantity



3-Contract Monitoring



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Contract Performance Monitoring



Contract Cost Monitoring



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Frequency of Contract Performance

QUESTIONNAIRE

Very often	<input type="checkbox"/>
Often	<input checked="" type="checkbox"/>
Sometimes	<input type="checkbox"/>
Rarely	<input type="checkbox"/>



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Contract Closeout



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4-Resolving Vendor Conflicts



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Nature of Conflicts:

Constructive Conflict

Dysfunctional Conflict



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Dispute Resolution

1-Mediation

2-Arbitration



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**5-Analyzing
and
Interpreting Contract
Risks**



RISK

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Risk Identification



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Risk Assessment



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Exhibit 6-11: Sample Risk Rating

Probability Rating		Impact Rating	
Probability	Score	Impact	Score
Almost certain	5	Catastrophic	5
Likely	4	Critical	4
Moderate	3	Serious	3
Unlikely	2	Marginal	2
Improbable	1	Negligible	1

Risk Response

- 1-Accept or tolerate
- 2-Control or mitigate
- 3-Transfer or share
- 5-Avoid



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Risks in FM Contracts

Subcontracting

1-Accountability

2-Notification and Approval

3-Quality Assurance



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6-Prevention of Contracting Fraud and Irregularities



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Types of Fraud

1-Collusion and Price Manipulation

2-Bid Rigging

3-Execution Irregularities

4-Phantom Charges



Indications of Fraud

Bid Patterns

Price Patterns

Suspicious Documents

Problematic Statements



Contract Fraud Control

Segregation of Duties

Proper Authorization

Competitive Bidding



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Contract Fraud Control

Documentation

Change Order Process

Budgetary Controls



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