

PROJECT FINANCIAL NOTE CARD

TERM	CALCULATED	DEFINITION / DESCRIPTION
AR	PJTD Billings - PJTD Receipts	"Accounts Receivable" -- The unpaid balance of client invoices that have been released in Oracle. PM's need to be proactive and manage AR balances--work with clients to collect AR.
AP	PJTD Vendor Invoices - PJTD Vendor Payments	"Accounts Payable" -- The unpaid balance of invoices received from our vendors and subcontractors. PM's should work with vendors to get invoices into the system quickly.
Budget	Internally "budget" is commonly used to describe the original direct cost projection on a project (also known as the original baseline); however, if speaking to a client, "budget" would refer to price (AKA fee or our internal revenue budget). ALWAYS CLARIFY THE DOLLARS--NEVER ASSUME	
Burden Rates	The percentages set by Corporate that are used to calculate direct and indirect labor costs; the Fringe rate for direct labor values is driven by the legal entity of the employee; the indirect burden rates are now assigned by BG to better reflect their cost of doing business; the indirect rate now follows the employee regardless of who owns the project being charged; rates can vary by labor type (consulting/office or site). CAUTION: This concept has been known to be confused with the term "multiplier." CAUTION: Always price with planned staff regardless of associated indirect rate.	
Client Ratio (CR)	(Total raw salary charged to client projects) / (Total raw salary dollars - any PTO)	This is the percentage of total raw labor, based on dollars, charged to client projects regardless of whether or not we can actually bill the client for the labor. Measures utilization of our employees on client projects but it's important to remember that unbillable labor if not planned is margin erosion.
Cost Accrual	A means to account for known expenditures that have not yet been processed through the system in order to ensure that the financials for the month are stated accurately (i.e. an invoice from a vendor that is on the PM's desk). It is the PM's responsibility to notify accounting of any known expenditures that have not been processed through the system before the close of the month. Cost Accruals are a temporary entry typically processed at month end.	
Cost @ Billing	Labor on a Multiplier project (i.e. RLM or LS project) = (Raw Rate) X (Negotiated Multiplier); Labor on a Per Diem project - rate is assigned based on the staff or the job performed; Total Cost @ billing terms = labor at bill rates + expenses +/- adjustments such as markups or write-offs.	Cost @ billing terms is determined by the contract with the client. The billing rate is either based on a multiplier or a predetermined rate based on the staff or work performed. Expenses @ billing terms are the same as the raw or direct expense unless there is a negotiated markup. If an item is non-billable, the cost@bill terms = \$0. [RLM= Raw Labor Max (max means that the revenue earned cannot exceed the system defined revenue budget);PDM= Per Diem Max; LS= Lump Sum]
Direct Expense	No calculation; a direct cost = a raw cost; there is no burden attached to direct expenses; expenses are only burdened at billing terms if there is a negotiated mark-up	Any non-labor project expenses such as travel, supplies, service center (H&S), NAC, subcontractors*, etc. that are charged to a client project. Includes both billable and non-billable costs. (*Subs may be billed to our client as labor, but they are always classified as a direct expense in our financial system)
Direct Labor	Direct Labor = (Raw Rate X Fringe) + Raw Rate ----OR---- Raw Rate X (Fringe +1)	Raw labor plus salary fringe rates--rates vary based on labor type (consulting or site) and owning entity (INC, CCI, etc.). Pricer (budgeting tool) utilizes current direct labor rates. Any labor charged to a client project is direct labor regardless if billable or non-billable.
EAC	"Estimate At Completion" AKA Forecast Budget- Internally used to describe the total amount of direct costs needed to deliver a project; client reports typically use Cost@billing terms. PMs are required to update their forecasts monthly since the EAC drives our revenue recognition process (see Sarbanes-Oxley). EAC's must be accurate and timely. NEVER adjust an EAC to force favorable metrics. ALWAYS verify the amount allocated to labor & expense is accurate.	
Effective Multiplier	(Gross Revenue LESS non-labor cost) / Raw Labor Cost	A factor used to indicate the relative profitability of the actual work performed. NOTE: This metric is not commonly used on Design Build (DB) projects.
GM/LR	Budgeted GM/LR = GM Budget / Labor Revenue Budget ----OR---- PJTD GM/LR = PJTD GM / PJTD Labor Revenue	Gross Margin in relation to Labor Revenue. A common metric used to track performance at a given time on traditional projects since direct costs are controllable by the PM. NOTE: If the project is DB, GM/TR is the common metric used since labor revenue is not the main component of the project. (Manage at top task)
Gross Margin (GM)	Gross Revenue - Total Direct Costs	"Gross Margin" -- Revenue remaining in excess of our DIRECT costs (including NAC). This is the primary metric that PMs are held financially accountable for during delivery of client projects since direct costs are controllable by the PM. NOTE: If the project is DB, Net Margin or GM/GR may be used as a primary metric for the project--consult your BG for guidance. (Manage at top task)

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Indirect Burden	Raw Salary X Indirect Burden Rate	On client projects, the indirect costs of running the business are allocated as a percent of labor charged to cover items such as office space, marketing, and administration costs. Indirect costs are those costs charged to non-client project types. This is a component of "total costs" on a project to determine Net Margin (direct + indirect = total cost). New in 2015: the burden rate is now assigned by the BG and labor type (office or site) of the <u>employee</u> ; therefore, if an employee in BG X is working on a project in BG Y the burden rate assigned to BG X will follow the employee. (Rates vary by BG--staff by skill not rate!)
NAC	(Project Investment) X (Weekly Interest Rate) NOTE: The COR assigned interest rate is 9% which equates to a weekly rate of ~.0017	"Net Asset Charge" -- a weekly charge to client projects for the use of the firm's capital consumed by costs incurred on the project that have not yet been billed and/or collected from the client. NAC is a non-billable, non-transferable direct cost to the project. All projects have a NAC task: ##.##. NAC is NOT contingency!! (Billing of "interest" for non-payment is contract specific--know your contract)
Net Margin (NM)	(Gross Revenue) less (Total Direct Costs + Total Indirect Costs) OR---- Gross Revenue - Total Costs	"Net Margin" -- Revenue remaining in excess of our TOTAL COSTS (direct + indirect; AKA Total fully burdened costs). Effective May 2015, NM is the primary metric of focus during the proposal & pricing activities. All BGs have target metrics based on NM values. GM is still primary during delivery.
Plan	Plan typically refers to the EAC, or how we anticipate (or plan) a project is expected to perform. This metric is commonly compared to the "baseline" or original budget. For example, "Our plan is favorable to budget.." would describe a project that has an EAC that is less than the baselined budget.	
PJTD Revenue	(Financial % Complete) X (Revenue Budget) {Financial % Complete=PJTD Direct Costs / EAC}	Amount of the project's fee that has been earned to date based on our progress on the project regardless of whether or not the associated charges have been invoiced or collected at the time. PJTD Revenue is driven by the EAC on the project; therefore, it is VERY important that the top task revenue and EAC budgets are accurate to the split of labor and expense and that the EAC is updated at least once a month.
Project Investment (PI)	(WIP + AR - AP) OR Work-in-progress + Accounts Receivable - Accounts Payable	"Project Investment" -- The amount of billable work charged to a client project that is either unbilled (WIP) or billed but not collected (AR) less any unpaid vendor invoices (AP) that have posted to the project but not yet paid. PMs MUST proactively manage PI; NAC charges are based on the amount of PI.
Price	The amount that a customer agrees to compensate us to perform the work. NOTE: Price = the maximum amount of revenue we can earn on the project determined by what we've negotiated unless there are change orders/amendments to the contract. In other words, PRICE = FEE = REVENUE BUDGET	
WIP	PJTD Revenue - PJTD Prior Billings	"Work in Process" -- Revenue earned on cost incurred that are eligible for billing but not yet billed. High WIP balances could indicate that there is a problem on the project. Manage at top task level due to \$P.
Restrained Revenue	Oracle's means for spreading the margin over the life of the project. It can be negative (conservative) or positive (aggressive). Since it impacts PJTD Revenue earned it also impacts the amount of margin recognized at a point in time. Helpful indicator of a real or potential problem on project.	
Revenue	Gross earning from client projects, including revenue on labor and expenses, fixed fees, award fees, markups, and adjustments such as accruals or restrained revenue. Revenue is first declared at the Top Task level on a project and is based on the assigned billing method and terms; however, a project level adjustment may be made based on the overall % complete of the project (adjustment amounts are posted to the \$P task). Must keep revenue & EAC budgets accurate and timely. [Refer to the Guide for Margin Metrics for more information on \$P and the project level revenue process]	
Sarbanes-Oxley	"SOX" - Law primarily to prevent corporate and accounting fraud. This law is intended to mandate sound internal controls, timely and accurate financial reports, disclosure of material facts that impact financial and business risk. External auditors must issue a report on our internal controls and the CEO & CFO must review and certify financial reports and disclosures. PM's comply by keeping accurate baseline budgets and providing accurate EAC's monthly.	
WBS	"Work Breakdown Structure" - This term is commonly used to define the hieracial structure of tasks on a project in Oracle that are used to track costs and revenue. It's important to note that this definition differs from the Project Management Institute (PMI) definition. In Oracle, the WBS influences how data is summarized, the ease of how projects are invoiced/statused, and can help to facilitate accurate time charging. An effective WBS should facilitate PM activities. All projects must have at least one top task (holds revenue budget and earnings) and one lower level task (holds direct cost budgets and expenditures)--NOTE: each top task can only have one compensation method which is determined by the terms in the client contract.	