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Oracle Hyperion Project Financial Planning:
Aligning Financial and Project Plans
Introduction

Many Organizations are looking to ensure alignment between their overall plan (strategic long range plans, financial plans and forecasts) on one hand, and proposed and on-going projects, owned by various Lines of Business (LOBs), on the other hand. Such alignment ensures agile planning with accurate, timely and relevant financial forecasts. Agility also ensures optimal use of corporate resources.

Oracle Hyperion Project Financial Planning (Oracle Hyperion PFP) enables companies and their LOBs to:

• Plan for new projects using a driver based planning framework

• Prioritize and approve necessary projects based on long-term financial goals and financial KPIs

• Forecast the financial implications of on-going projects to help drive project change decisions

• Ensure companies factor in the financial impacts of new LOB projects with on-going LOB projects before financial plans and forecasts are approved and signed off.

Oracle Hyperion PFP delivers project-focused planning and forecasting capabilities in a purpose-built module on the Oracle Hyperion Planning platform. It leverages the zero-footprint web and Microsoft Office based capabilities of the platform and provides a secure, scalable planning environment.

The Oracle Hyperion PFP application uses the platform framework to integrate with source ERP and Project Management systems, ensuring seamless business processes and information transfer between finance and LOBs.
Project Financial Planning

Project Financial Planning starts with the Line of Business (LOB) planner outlining the details and plans for the proposed project. This plan is submitted for approval by management for financial viability and resource availability.

What Type of Project?

Oracle Hyperion PFP enables users to create different kind of projects. These include:

- **Indirect**: Also known as an administrative project. Indirect projects have a cost impact but do not generate revenue. For example, an IT project that creates a portal for the Human Resources team to track personal details of employees would be considered an indirect project. If a project is classified as indirect, only expense planning is done for the project. Revenue is typically not part of an indirect project.

- **Capital**: A capital project is a long-term investment project undertaken for a capital asset (such as a manufacturing line, building, or road). For capital projects, typically decisions are made using revenue forecasts for each asset and collated with expense plans for the duration of the project for decision making. The expenses for a capital project are tracked as Construction In Progress (CIP) on the Balance Sheet while the assets are being developed. Once a capital project is placed in service (the assets are ready), the CIP asset is reconciled with existing assets.

- **Contract**: A contract project is work performed for a customer where the customer reimburses the Organization. A contract project typically generates both expenses and revenue based on the underlying contract. The contract billing is for services performed and are reimbursed by the customer. Oracle Hyperion Project Financial Planning supports the following types of contract billing:
  - **Time and Materials Billing**: The customer is charged for all of the hours of work performed, for asset expenses, for any direct expenses incurred, and for materials purchased during project delivery. Examples of time and materials arrangements are typically found in the construction industry, for contractors, and for consulting firms.
  - **Fixed Price Billing**: The customer is charged a set or negotiated price for the work performed on the contract. This billing type places risk and responsibility for costs and resulting profit or loss upon the contractor.
  - **Cost-Plus Billing**: This billing is based upon the actual cost of time and materials, plus an added amount; also known as the margin.
  - **Other Billing**: This billing type is used for complex contract terms. For example, a customer may be charged a fixed price for some services (delivered as part of project) while they may also be charged time and materials or a markup on expenses.
Adding a New Project

Proposed projects are created by first selecting the type of project (Indirect, Capital or Contract). There are a number of projects shown in figure 1 and project type options are part of the pre-defined task list shown.

Figure 1: Types of projects that are supported in Oracle Hyperion Project Financial Planning

When adding a project, details that are pertinent to the project must be defined; project name, description, expected start and end dates, and the type of project. To plan the exact cash flow, which in turn helps determine more accurate key performance indicators (KPIs) for projects, Organizations must define details of expected cash flow from revenue sources like revenue cash flow incidence.
Expense Planning

To start planning for proposed projects, Organizations need to define the expected expenses first. Oracle Hyperion PFP provides the option to do expense planning in different ways - choose one option or combine options below to get the desired detail:

- Plan at account level with different driver options. This approach will help if resource details are not needed but Organizations still want the overall account level view of expenses

- Plan at resource level. This is useful when Organizations know in detail which resources are required within the project timeframe prior to getting approval for the project

In the top section of the form shown in figure 3, planning for expenses can be completed at the resource level for different resources (Labor, Equipment, Material and Other Resources) and/or at the account level (Enter Direct Project Expenses). For example, some accounts - like rentals - are completed at the account level, not the resource level. Projects can be planned at a detailed resource level and yet reviewed at the project level. There are a number of expense review forms that can be used to review and analyze all the various buckets of expenses and their impact on a project.
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Figure 3: Project expense planning

Oracle Hyperion PFP provides the power and flexibility to plan overheads that are allocated from the Organization level to projects based on user defined distribution rules. In figure 4, rules are defined for overheads at the Organization level (e.g., indirect and G&A) and the impact of the allocation can be seen during expense planning for projects.
Revenue Planning for Contract Projects

Similar to expense planning, Oracle Hyperion PFP provides options to plan revenues for contract projects in different ways. Revenues can be planned at the resource level, at a direct account level, or at unit sales price level. These options can be used individually or in combination to provide the most accurate revenue plan for projects.

For example:

- **Revenue for time and material**: Revenue plans for projects that are time and materials based are typically planned at a resource level because the resources generate revenue. The revenue calculations are based on defined default rates or may be overridden as needed.

- **Revenue for cost-plus**: Revenue plans for cost-plus projects use a defined percent margin added to expenses. The Organization defines the required margin percent to be added to the appropriate cost components.

- **Revenue for unit-price**: Revenue plans for unit price projects use a defined selling price which is multiplied by the number of units targeted to be sold.

The unit-price revenue planning option can be used with the cost-plus option or the time and materials option or on its own. But cost-plus and time & materials revenue planning options are mutually exclusive.
The tabs in the top section of the form in figure 5 show the different options for revenue planning while the bottom tabs show the overall revenue calculated by account for the options chosen, as well as any revenue entered directly against an account.

Figure 5: Revenue planning for a project

Review Project Financials

Once project expense and revenue planning are complete, the next step is to review performance by looking at the impact on financial statements and key performance indicators (KPIs). Oracle Hyperion PFP provides details of the impact on financial statements in terms of cash flow and income based on the plan for each project. In the impact statements, the performance of each project plan can be reviewed over the life of the project and additional changes can be made if required.

If Organizations wish to use the subjective analysis capabilities of Oracle Hyperion PFP, analysis criteria for each project are needed first. These criteria are used to calculate subjective scoring for each project which in turn will help management to analyze projects from several different perspectives. Having this broad analysis enables management to see the big picture when ranking the projects to be funded and implemented. Subjective analysis is created using user defined questions (see figure 6) and weights for different aspects of scoring (e.g., KPIs and project metrics). The questions should be answered with the corporate strategy in mind and the outcomes expected from each project chosen to be funded.
Figure 6: Subjective analysis for a project

Typically, the project owner provides the weighting values that are used to calculate the scores of each project. Default Organization level weighting values are provided by Admin (a security role) which is applicable for all projects from a financial and subjective scoring point of view. The combination of financial and subjective scoring, and the ratio for each project, provides the necessary information that management needs to rank the projects for approvals, implementation and funding.

The top section of the form in figure 7 contains some of the details (rates and ratios) used to define a project. These details are used to calculate the financial statements and KPIs shown in the bottom of the same form. Default values for each detail are defined at the Organization level for all projects, but each value can be overridden at the project level in this form.
The impact of these details can be reviewed from several perspectives which include: lifetime KPIs, yearly performance indicators, cash flow, income statement, financial score and subjective score. In figure 8, the Review Impact – Cash Flow tab is chosen and the cash flow statement for the project is shown in the lower panel.
In figure 9, the Review Lifetime KPIs tab is chosen revealing the financial KPIs for project.

Figure 9: Key Performance Indicators for a project

Figure 10 shows the financial scores for the project, including the absolute scores (user input freeform numeric value), the weighting values and the calculated weighted score. Other views can be selected using subsequent and previous tabs.

Figure 10: Financial scores for a project
Funding Requirements for Projects

Oracle Hyperion PFP provides a framework for project owners to provide details and reasoning for funding requirements. The availability of funding and the expense of funding each project are of great concern to the finance department and senior management.

Using Oracle Hyperion PFP, project owners can provide anticipated funding requirements over the life of the project for approval purposes based on cash flow expectations. Project owners can review the projected interest expenses related to funding and review the impact of these expenses on the project financials. This framework gives the project owner a very clear picture of what each project will cost, and the finance department the confidence to provide funding.

Figure 11: Project funding, interest expenses and the impact on cash flow

When funding plans are complete, the project is ready to be approved by all concerned parties. If approvals from the resource managers are required first, Oracle Hyperion PFP has the flexibility to include this step in the approval process. This way, finance and the LOB are assured they have all the information they need to make a sound decision.

Once a project is approved, Oracle Hyperion PFP enables project owners to monitor cash flow and allocate funds when needed (See figure 11).
Analysis and Approvals

Workforce Analysis and Approvals

Oracle Hyperion PFP is fully integrated with workforce requirements and can perform workforce analysis. This capability will help provide more accurate and concise project planning and make the ability to approve projects easier.

The project financial plans can be reviewed by a workforce manager to ensure the right human resources are available to the project with appropriate skill-sets. The workforce planning component is provided with requirements for proposed projects, as well as existing projects, and provides the capability to:

- Display details of the use of resources across projects
- Review availability of all needed resources
- See the need to hire new resources if they are not currently available
- Plan resource budgets and seek approvals from appropriate management
- Seek approval for project resources and allocate the resources to each approved project

The visualization that is available to workforce managers is shown in figure 12. This dashboard provides insight into utilization trends, hiring plans, and project staffing requests in both full-time equivalent (FTE) person and labor hour terms. The left pane shows specific tasks used in workforce analysis.

Figure 12: Workforce planning dashboard

Oracle PFP provides details of the utilization of resources in each project. Using the report in figure 13, it is easy to see any resources that are underutilized (as well as the trend over time) and to which
projects they belong. If another project is in need of these resources (assuming the skill sets are the same), this report can assist the workforce manager in finding underutilized resources and reallocating them to projects that need them.

Figure 13: Resource utilization

The workforce manager can review the resource requirements for a project in the report shown in the top section of figure 14. Based on the previous analysis of availability and utilization of resources, the workforce manager can approve the individual resources (employees) required for each project. After approval, the workforce manager can allocate these employees to each project using the lower section of this same report.

Figure 14: Project resource requisitions, approval, and allocation
Asset Analysis and Approvals

Oracle Hyperion PFP is fully integrated with capital asset requirements and capital analysis. This capability helps provide better and more concise asset planning, making approval of projects easier.

The project plan can be reviewed by an asset manager to ensure capital assets have been planned for appropriately and that capital resources are available. With Oracle Hyperion PFP, the asset manager can review proposed project plans as well as approved project plans for all capital asset resource requirements using the following capabilities:

- Review the utilization of resources across all projects (proposed and approved)
- Review the availability of resources
- Understand the ability to acquire new assets if needed, whether bought or leased
- Plan resource budgets and acquire approvals from their respective management
- Approve proposed projects for resource requirements
- Allocate the resources to projects

The asset manager can review the asset requirements for a project from the dashboard shown in figure 15. To determine if they need to buy or lease assets, the asset manager can review reports on utilization trends, capital expenditures planned at the Organizational level (compared with defined targets), equipment requirements across projects, and the cash flow trend at the Organization level. The left pane shows specific tasks used in asset analysis.

Using the report in figure 15, it is easy to see the utilization levels of each resource and to which projects they belong. If another project is in need of resources, this same report can assist the asset manager in finding underutilized resources and reallocating them to projects that need them.
Similar to the abilities of the workforce manager, the asset manager is able to review the asset requisitions by project and, based on the availability and utilization of those assets, can approve the resource requisition and allocate existing assets and/or leased assets to projects in need.

Business Unit Leaders Analysis and Approvals

Oracle Hyperion PFP provides project level and Organizational level dashboards enabling the business unit leaders to approve and promote proposed projects. These dashboards enable business unit leaders to review proposed projects and rank them in order of urgency and importance before requesting funding from finance. In addition to the proposed project requirements, business unit leaders can review performance trends and variance analysis information for existing projects along with available funding, and use all of this information to decide what to approve prior to requesting funding from finance.

Having financial information and targets from the entire Organization, as well as for each proposed project and existing projects, enables the business unit leader to make sound decisions on what to approve and promote for funding. In figure 16, the business unit leader is presented with a list of all proposed projects that need approval, and is able to rank those projects in top section of the form. The bottom section of the form is where the financial details for each project can be reviewed.

Subjective scores for each KPI and project can aid business unit leaders in comparing proposed projects and deciding on which to promote for funding. Figure 17 shows a report containing KPIs, subjective scores and project justification information for each proposed and existing project. If the business unit leader is not satisfied with the project financials and subjective analysis entered by the proposed project owner, then there is an option to reject the project and ask the owner to make changes. The business unit leader can also choose to change the subjective analysis based on the perspective gained from the analysis.
The Organizational level dashboard is also very useful to the LOB managers in providing information about financials and headcount. Information provided includes cash flow and income trends, actual and plan values with variance analysis, net income and cash flow trends, and human resource (headcount) use trends.
Finance Manager Analysis and Approvals

Oracle Hyperion PFP provides the finance department with detailed information about the performance of proposed and current projects. Information such as:

- Performance at the Organizational level (actuals, cash flow and income trends, human resources)
- Organizational level funding requirements
- Detailed funding requirements at the project level

These details will help the finance manager verify the funding needs and subjective factors for all funding requirements.

During the project approval process, the business unit leader has to request approvals from finance managers on the financial funding viability of each proposed project. Finance managers then must look at the financial details of each proposed project and compare it with corporate strategy and goals from a financial perspective. This includes reviewing turnaround time for each project to give a positive cash flow, comparing the funding needs of each proposed project to the Organization funding plans, and determining the impact of the funding requirements based on the cost and source of funding.

In figure 19, the finance manager’s dashboard containing Organization level finance information is shown.

In figure 20, the financial details and metrics at Corporate Level as well as Regional Level are shown. With this report, the finance manager has a Organization-wide view of the finances and can make better approval decisions based on this information.
In order to make funding decisions about projects, the finance manager needs the details and timelines for funding requests for each proposed and existing project. With Oracle Hyperion PFP, the finance manager can look into the details of all projects and their funding requests. Finance managers also have access to information on the sources of funding that can be allocated to projects based on the timeline of funding. They can also see which sources will have minimal impact on project financials from an interest expense perspective (see figure 21). Once the finance manager reviews all available information, project funding can be approved and funds can be allocated.
Capital Projects and Capitalization to Assets

Oracle Hyperion PFP enables project managers to plan for single or multi-asset capital projects and later convert them to assets which can be used in subsequent projects. It provides the flexibility to create capital projects and then capitalize them into assets which can then be transferred to asset logs.

Multi-asset planning means project managers can create multiple assets using one capital project with multiple sub-projects within it. While the capital project is in progress (prior to completion), it will accumulate value and therefore a ‘construction in progress’ (CIP) asset can be entered in the capital assets registry. The capitalized capital project expense is considered its asset value.

The multi-asset planning capability helps project managers to plan large and complex capital projects where multiple assets will be created, which could then be re-used as assets for other projects after the completion of the capital project.

In figure 22, the project manager has created two projects: one single capital project and one multi-asset capital project. The project called Base CP1 is the single asset project, and the project called Base CP2 is a multi-asset capital project, with CP2 Asset 1 and CP2 Asset 2 as sub-projects.

![Figure 22: Capital projects created by project manager](image-url)

In figure 23, the project manager has planned the expenses for a project and reviewed the impact of the expenses on the income statement. The capital project shown figure 23 is a single asset capital project and the expectation is that the total expenses for the project are capitalized and will become the asset value for ‘construction in process’ (CIP) assets in the capital assets log. This log can be reviewed by the Asset Manager.
In figure 24, the asset manager can review the CIP assets and accompanying details that were created from the capital projects.

Intercompany Project Planning and Reconciliation

Oracle Hyperion PFP enables project managers to plan projects where more than one Business Unit is required to implement the project. In this case, the project manager has to plan for a project with the help of corresponding Business Units and their requirements so that the plan can be combined. Oracle Hyperion PFP enables multiple project managers to setup plans with intercompany relationships. Each project manager can individually plan for their own requirements yet the overall project owner will receive all the consolidated details from the individual plans.

The overall project owner may create a project; apply a project ownership tag to it, and associate Service Providers with the project that will provide services. As the services provided are associated with each project, they are reflected in reporting which the overall project owner or individual project managers can review. Overall project owners also need to plan for project expenses including those from the services provided from within the Organization (intercompany), and also possible revenue which may gathered by each project. Intercompany charges between the Service Providers and the project owners can be applied in different ways. They can be charged by specific cost, by margin, or
provided at no cost at all. All charges or revenues collected are reflected in project reporting and identified by the Service Provider that supplied it.

At the Organization Level, all the intercompany transactions are reconciled so that there is no double entry for expenses and revenues. Oracle Hyperion PFP performs all the reconciliations to show a true picture of consolidation at a Organization Level. Oracle Hyperion PFP therefore enables Organizations to plan for any type of project with any mix of options of inter-company projects making it a very comprehensive solution.

In figure 25, the project is USA based but has services that are provided by the Indian subsidiary. The project manager can then plan for expenses and revenues for this project including for this Service Provider.

Figure 25: Intercompany relationship setup

In figure 26, the intercompany revenue transaction line is shown from the Service Provider’s point of view in the Revenue Impact – Income Statement report.

Figure 26: Project planning at service provider level
The project owner can also plan for intercompany expenses and revenue for the project, and can review the intercompany transaction lines in the financial statement as an intercompany expense. Figure 27 shows the intercompany expense line in the Revenue Impact – Income Statement Report from the project owner’s point of view.

Figure 27: Project planning at project owner level

Oracle Hyperion PFP also provides a reconciled financial statement with intercompany transactions settled for projects at the Organization Level. Figure 28 shows an example of an Organization Level reconciled financial statement for Contract Project 3.

Figure 28: Intercompany reconciliation statement
Conclusion

When proposing and planning new initiatives, their financial implications on corporate financial plans and objectives and consensus among all concerned parties are a major challenge for many organizations. Without good financial and operational information for both proposed and current projects, it is difficult to analyze and make decisions on new projects to undertake. Oracle Hyperion PFP provides the ability for all involved parties to help with this decision making.

Oracle Hyperion PFP enables LOBs to forecast revenues and costs for proposed projects and provides tools to help them acquire approvals for the forecasted financial costs and the financial goals. It bridges the gap between the detailed task oriented project plans that a project manager within each LOB maintains and their overall impact on corporate finances and resources. Management can get a holistic view of how their assets and resources are allocated, and then monitor performance and receive information about return on investment.

Oracle Hyperion PFP acts as the bridge between LOB project management and the financial plans and forecasts within the CFO’s office.

Glossary

For the purposes of this whitepaper:

**Organization** is the entire company including subsidiaries.

**Business Unit** is a collection of departments

**Department** is a cost center or a group proposing / initiating a project