



## **UNIX Trainers & Consultants**

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### **Effective Financial Management for HR Personnel in the Public Sector**

#### **Course Overview:**

The planning and budgeting process in most organizations starts with the human resources (HR) department. At the same time as the sales and marketing professionals are assessing product and service mix and making short and long-term forecasts of sales demand and prices, the HR department is assessing its current level of resources and the likely level of resources required both in the short and longer-term. The HR function plays an integral role in the budgeting of costs for the whole organization. It is also responsible for the preparation and management of its departmental budget and is accountable for the achievement of that budget. Financial awareness is therefore an essential requirement for every role at every level within the HR departments of modern business organizations.

Companies are increasingly integrating all their business processes using systems like ERP (enterprise resource planning). Each business function should therefore understand, and be able to communicate accounting and financial (and non-financial) information. This course provides the required level of financial awareness and practical application for HR practitioners to appreciate accounting and finance in the broader context, and the HR function's involvement in the organization's budgeting and budgetary control processes, and participate in the decision-making process. It also includes the techniques required to prepare a detailed budget for the HR department itself, and the management of the HR department's actual budget performance.

#### **Course Objectives:**

**At the end of this course, the participants will be able to:**

- Appreciate the significant importance of cash flow (rather than profit) and discounted cash flow (DCF) in creating value for optimal decision-making to maximize shareholder wealth.
- Analyze the income statement (or profit and loss account), balance sheet, and cash flow statement, and use ratios to interpret the financial statements and be aware of their limitations.
- Appreciate the key role played by the HR department in the organization's budget process and preparation of the master budget, and the use of techniques like activity-based budgeting (ABB).
- Use the techniques of break-even analysis, budgetary control, capital investment appraisal, capital budgeting, and variance analysis for budgetary control.

- Identify each of the costs required to manage a modern HR department to be able to prepare its annual budget and manage its actual performance.
- Use their financial knowledge for improved planning and management decision-making
- Communicate with finance professionals, within and external to their organization, to be able to become a more effective manager of the business
- Liaise more effectively with other departments on financial matters
- Share their financial knowledge within their department and with other departments within your organization
- Identify and quantify each of the areas in your organization's budget for which the HR function has indirect responsibility
- Identify and quantify each of the areas for which your HR function has direct responsibility to be able to prepare a comprehensive HR department budget
- Measure HR performance

## **Course Coverage:**

### **Topic 1: Company Objectives and Financial Statements:**

- Measuring company performance
- Value creation and the primary objective of maximization of wealth
- Income statement (profit and loss account)
- Balance sheet
- Cash flow statement

### **Topic 2: Reading and Interpreting Financial Statements:**

- Measurement of operating performance
- Measures of financial performance and financial position
- Risk measurement
- Limitations of ratio analysis

### **Topic 3: Discounted Cash Flow (DCF)**

- The importance of the timing of cash flows
- Future values
- Present values
- Discounted cash flow (DCF)

### **Topic 4: Costing:**

- Fixed costs, variable costs, and overheads
- Overhead allocation, absorption, and the use of activity-based costing (ABC)
- Expenses versus inventory (stock valuation)
- Contribution compared with a profit

### **Topic 5: Decision-Making:**

- Relevant costs
- Shut-down versus continuation
- Make versus buy
- Product mix and limited resources

- Decision trees

### **Topic 6: Budgeting:**

- Purposes of budgeting
- The budget process
- Activity-based budgeting (ABB)
- Uncertainty and risk
- Motivation and the behavioural aspects of Budgeting
- Problems in budgeting
- Non-financial performance measures

### **Topic 7: Cost/Volume/Profit (CVP) Analysis:**

- Cost, volume, and profit relationships
- Break-even analysis
- The impact of cost structure changes
- Limitations of break-even analysis

### **Topic 8: HR and the Budget Process:**

- Organization charts
- Manpower planning
- The direct labour and indirect labour budget
- Employee benefits
- Employee records
- Payroll administration
- Redundancy costs
- Health and safety
- Employee appraisal
- Succession planning

### **Topic 9: The HR Budget:**

- HR staff costs
- HR overhead costs
- HR overhead cost allocations
- Employment or outsourcing
- Training and employee development
- Preparation of the HR budget
- Your organization's HR budget

### **Topic 10: Measuring HR Performance:**

- Why we measure HR
- How to measure hiring and staffing
- How to measure training and development
- How to measure employee relations and staff retention

### **Topic 11: Budgetary Control:**

- Organizational and accounting control systems
- Standard costing

- Flexed budgets
- Variance analysis
- Types of variances and the reasons they occur
- Planning and operational variances
- Controllable and uncontrollable costs
- Responsibility for HR budget variances

### **Topic 12: Capital Investment Appraisal:**

- Methods for evaluating capital projects
- Payback
- Net present value
- Internal rate of return
- Discounted payback

### **Topic 13: Capital Budgeting:**

- Capital rationing
- Ranking of investment projects
- Inflation and investment
- Using expected values and standard deviations to make decisions

### **Targeted Groups:**

- HR Managers
- HR Supervisors
- HR Professionals who want to develop their financial skills
- Individuals who want to gain great skills to improve their career