The Fundamentals of Costing and Pricing
Session Guide

Developed by:
GMS and ALMACO

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Course Overview

Purpose

The purpose of this course is assist partner organizations to prepare thorough budgets and cost estimates for their work, while also calculating a margin that allows them to be mission driven and market focused. During the course participants will learn the basic vocabulary of financial accounting, examine the various types and sources of costs and margin, and create models to monitor their revenue, costs, and income over time, so that prices can be adjusted in keeping with financial goals. A comprehensive financial modeling tool will be introduced to facilitate the development of sound budgets that cover costs and generate income.

Objectives

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

1. Understand and use basic financial accounting vocabulary related to costing, budgeting, and margin
2. Navigate and use the Financial Modeling Tool for Costing and Pricing
3. Describe the types of costs and incorporate them into the budget
4. Describe the sources of margin and include them in the budget
5. Develop a revenue forecast based on cost and price of delivering products and services
6. Use financial metrics to monitor and report on financial performance

Duration

1 hour

Facilitators

- Judith Seltzer, MPH, MBA

Materials

- Fundamentals of Costing and Pricing Handbook
- Session Guide
- Attachment A: Participant Pre- and Post-Assessment Tool

Introduction to the Fundamentals of Costing and Pricing Lead Facilitators: Judy		
Time	**Activities**	**Materials**
15 minutes	Introduce facilitators and participants and review course objective	Session Guide
15 minutes	Explore the JIVE portal and its functions	JIVE portal
10 minutes	Review of Fundamentals of Costing and Pricing Handbook	Fundamentals of Costing and Pricing Handbook
20 minutes	Review of Pre-Test Assessment	Attachment A: Participant Pre- and Post-Assessment Tool

Session I: Building a Common Vocabulary

Purpose

The purpose of this session is to provide all participants with a common vocabulary and a basic understanding of key financial accounting terms. This will help them navigate the rest of the program as we dig deeper into costing and pricing mechanisms.

Objectives

By the end of this session, participants will be able to:

1. Understand the role of the Value Chain in distinguishing between cost, margin, and price
2. Access a glossary of financial accounting terms
3. Provide examples for each of the terms
4. Interact effectively with financial officers and accounting managers

Duration

3 hours

Facilitator

- Judith Seltzer, MPH, MBA

Materials

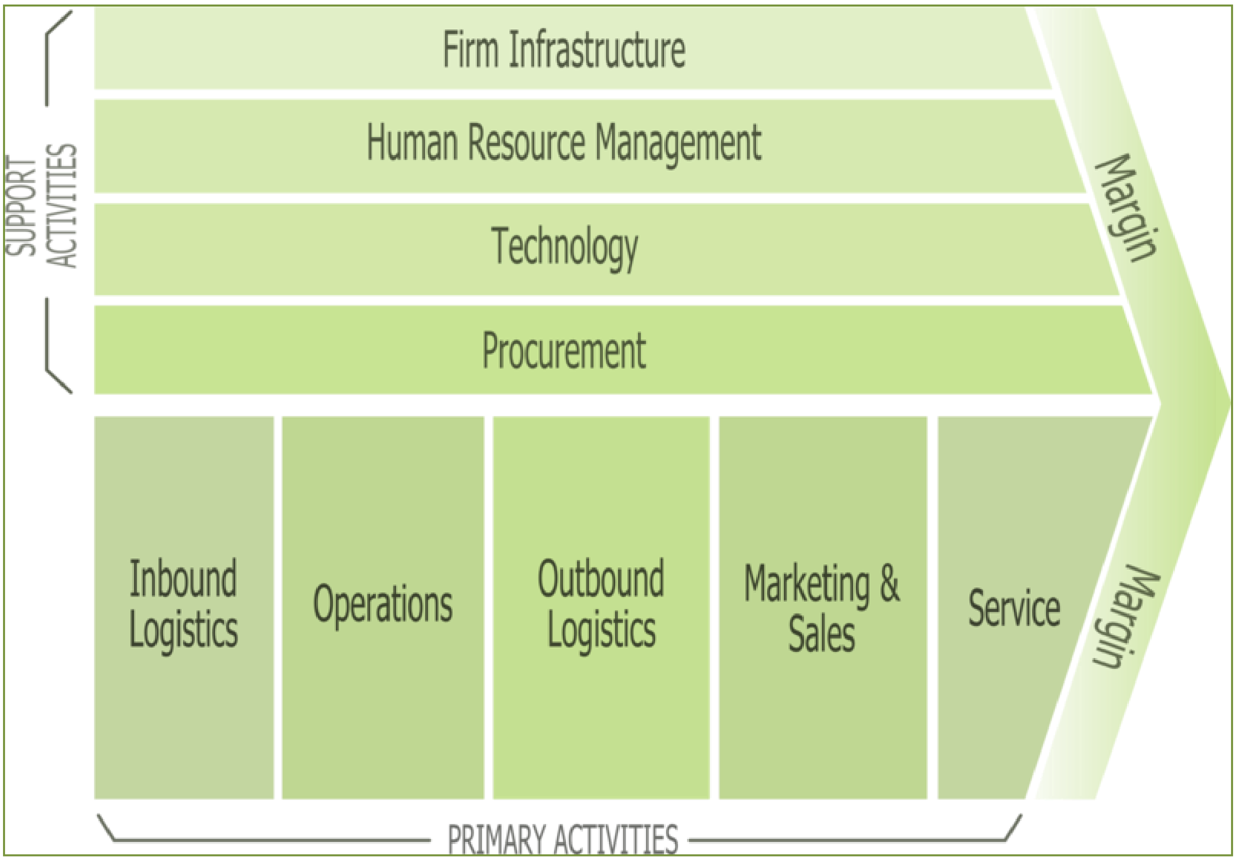
- Fundamentals of Costing and Pricing Handbook
- Session Guide
- Reference Material: Glossary of Terms
- Group Exercise 1

Session I: Building a Common Vocabulary Lead Facilitator: Judy		
Time	**Activities**	**Materials**
10 minutes	Review session objectives	Session Guide
20 minutes	Introduce the concept of the Value Chain	Reference Material: The Value Chain Example: The Primary Activities on the NBTS Value Chain
1.5 hours	Provide instructions for Group Exercise 1	Reference Material: Glossary of Terms Group Exercise 1: Building a Common Vocabulary
1 hour	Group presentations	Presentations uploaded, or presented using YouTube

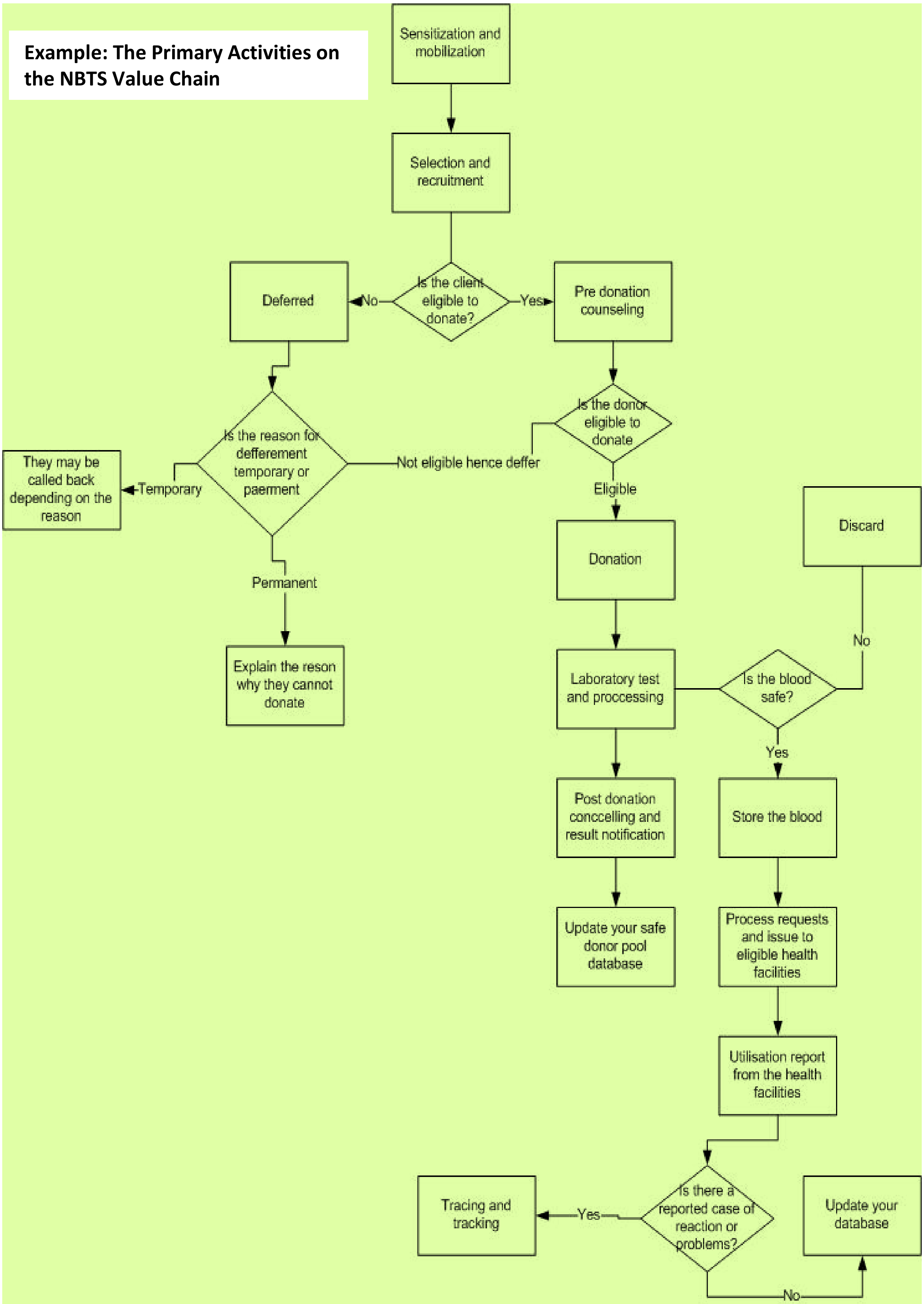
Reference Material: The Value Chain

A value chain is a chain of activities for an organization operating in a specific industry or sector. Products and services pass through all activities of the chain in order, and at each activity the product gains some value. The chain of activities gives the products and services more added value than the sum of the independent activity's value. It is important not to mix the concept of the value chain with the costs occurring throughout the activities. A diamond cutter, as a profession, can be used to illustrate the difference of cost and the value chain. The cutting activity may have a low cost, but the activity adds much of the value to the end product, since a rough diamond is significantly less valuable than a cut diamond.

Value Chain Prototype



Example: The Primary Activities on the NBTS Value Chain



Reference Material: Glossary of Terms

- **Accounting Principles**
  - Accounting systems collect and record an organization's business transactions and produce thorough, accurate financial statements, which are essential for making sound financial management decisions.
  - Accounting documents the organization's income, expenditures, assets, debt (how much and to whom), and what it is owed, by whom.
  - Accounting rules and standards ensure the ethical and appropriate use of resources.
- **Budgets**
  - A budget projects the costs, and, in many cases, the revenues of an activity, program, or organization.
  - A budget quantifies the organization's programmatic goals and objectives by guiding the allocation of financial and human resources.
  - A budget can be used with periodic expenditure reports to review expected costs against actual spending, identify which programs are cost-effective, predict cash needs, determine where costs must be cut, and provide input into difficult decisions such as which programs to discontinue.
- **Costs**
  - Direct Costs: These are the costs incurred and paid from particular projects or activities that have their own funding sources.
  - Indirect Costs: These are costs incurred and paid from your organization's general funds, rather than from funds allocated to a specific project or activity.
  - Fixed Costs: These are the costs that remain the same, or may rise with inflation, regardless of increased or decreased demand for products or services.
  - Variable Costs: These are the costs that vary based on increases or decreases in demand for products or services.
- **Expenditures**
  - Expenditures: These are an outflow of money to another person or group to pay for an item or service, or for a category of costs.
- **Financial Management**
  - Financial management is a necessary tool for supporting the organization's goals and objectives.
  - Its purpose is to provide information that helps managers to make the organization's short- and long-term plans a reality.
  - Financial management is about analyzing financial performance, identifying ways to use resources efficiently, and finding creative ways to use existing resources to generate additional resources.
- **Goods, Products, and Services**
  - Commodities: A commodity is a good for which there is demand, but which is supplied without qualitative differentiation across a market. The market treats a commodity as equivalent or nearly so no matter who produces it.
  - Product: A product is something that can be packaged, priced, and delivered in a number of different ways. It is something that has a defined purpose and use. Using a product does not require interface with another individual. Examples of products include drugs or contraceptives, a training curriculum, and beauty aids.
  - Service: A service is also something that can be packaged, priced, and delivered in a number of different ways; however, it is delivered in response to a need and usually

requires at least some interaction with another individual (even if virtually). Examples of services include immunizations, surgery, and counseling.

- **Key Marketing Terms**
  - The Market: This represents all of the possible consumers of an organization's products and/or services.
  - The Target Market/Population: This is the group or groups to whom organizations market their products and/or services. It includes current and potential users of the products and/or services. It also may include consumers of services who may be different from users, such as employers and donors, and the supporting community.
  - Market Mix: This is the combination of efforts an organization makes to increase knowledge of and demand for its products and/or services. These efforts fall into the categories of: targeted population, price, place, production, and promotion.
  - Market Niche: This is an organization's unique role and image ("brand") within the greater marketplace.
- **Margin**
  - Profit margin: The difference between the price of the product or service and the cost of developing and delivering the product or service.
- **Profit vs. non-Profit**
  - Fund balance: Leftover funds in a non-profit; normally reinvested in the organization.
  - Retained earnings: Leftover funds in a for-profit; normally paid out in stock dividends or bonuses.
  - Profit is also known as surplus or the bottom line.
- **Revenue vs. Income**
  - Revenue: This is the money an organization receives in the form of fees. It can, but does always, include donations, or grants. These may be accounted for separately. Revenue may come from clients, an organization's headquarters, or external sources, normally in exchange for a product or service (including such products as proposals, work plans, or reports).
  - Income: This is the revenue after expenses (net revenue, profit, surplus, bottom line).
- **Value-add Activities**
  - The Value Chain: A Value Chain is a chain of activities for an organization operating in a specific industry or sector. A value chain is comprised of a series of activities that convert incoming goods or base materials into products and services that are of value to clients. A value chain typically consists of[1]:
    1. Goods coming into the organization as base materials, such as supplies
    2. The transformation of those goods into products and services that meet client needs
    3. The distribution of these products and services to the clients
    4. Promotional activities to make clients aware of these products and services
    5. Client support and follow-up
  - Primary and Secondary Products and Services: These are the new products and services that are derived from a review of your value chain. As you review your value chain, you ask "What new products and services could be introduced using the same resources used at any point in your value chain?"

[1]http://www.businessdictionary.com/definition/value-chain.html#ixzz2B4DQrVXF

Group Exercise 1: Building a Common Vocabulary

1. Each team will receive a certain number of vocabulary words. Your job is to think about a way to explain each of the terms that has been assigned to your team to the rest of the course participants. You are to seek ways to explain the term, so that every participant can fully understand the term.

2. As a team, come up with a skit, poem, song, or other presentation that will help the rest of the participants understand each of the terms that your team was given.

3. Upload your presentation to the platform and share with others.

Session II: Using the Financial Modeling Tool for Costing and Pricing

Purpose

The purpose of this session is to introduce participants to the Excel-based Financial Modeling Tool for Costing and Pricing. Participants will be guided through the features and functions of the tool, and given the opportunity to explore how it works.

Objectives

By the end of this session, participants will be able to:

1. Explain the features and functions of the Financial Modeling Tool for Costing and Pricing
2. Understand the components of the tool that are found on each tab

Duration

4 hours

Facilitators

- Edward Kyi
- Robina Omosa, MBA, CPA

Materials

- Fundamentals of Costing and Pricing Handbook
- Session Guide
- Reference Material: Glossary of Terms
- Financial Modeling Tool for Costing and Pricing
- Group Exercise 2

Session II: Using the Financial Modeling Tool for Costing and Pricing Lead Facilitators: Edward and Robina		
Time	**Activities**	**Materials**
15 minutes	Review session objectives	Session Guide
15 minutes	Review vocabulary related to costing and pricing	Reference Material: Glossary of Terms
1 hour	Explore the overall navigation of the Financial Modeling Tool for Costing and Pricing	Financial Modeling Tool for Costing and Pricing
30 minutes	Conduct a Scavenger Hunt	Group Exercise 2: Navigating the Financial Modeling Tool
1 hour	Populate the Basic Information Tab and the Other Direct Costs Tab, using dummy data	Financial Modeling Tool for Costing and Pricing
1 hour	Populate the Master Staff List Tab and the Allowances Tab using dummy data	Financial Modeling Tool for Costing and Pricing

Reference Material: Glossary of Terms

- **Costs**
  - Direct Costs: These are the costs incurred and paid from particular projects or activities that have their own funding sources.
  - Indirect Costs: These are costs incurred and paid from your organization's general funds, rather than from funds allocated to a specific project or activity.
  - Fixed Costs: These are the costs that remain the same, or may rise with inflation, regardless of increased or decreased demand for products or services.
  - Variable Costs: These are the costs that vary based on increases or decreases in demand for products or services.
- **Cost Analysis**
  - Cost analysis is a study of the costs of the resources (such as personnel, supplies, and equipment) associated with delivering a product or service, or implementing a project or program.
  - This analysis helps you estimate the cost of providing a single service, such as an initial health center visit, a reproductive health counseling session, a well-baby visit, a day of hospital care, or a follow-up visit.
  - Knowing the cost of providing a single service allows you to consider different ways of organizing or paying for your resources in order to reduce excessive costs.
- **Revenue Analysis**
  - This is the study of the revenues (fees, donations, and grants) received from clients, external sources, or an organization's headquarters.
  - Analyzing revenues is useful for examining the relationship between the fee you charge (if any) and the cost of providing a service.
  - Analyzing revenues also involves assessing how client demand for products or services will increase or decrease with changes in fees.
  - If demand is sensitive to price changes, an increase in fees will lower demand, eventually leading to a decrease in revenues. If client demand for products or services is not sensitive to price changes, the total revenue will increase.
- **Basic Financial Statement Ratio Analysis**
  - Understanding the various financial reports is a very important step in understanding the financial performance, position and cash flow position of any organization.
  - One of the tools/techniques at your disposal to evaluate the organization's performance, potential gaps, and areas of needed improvement, is financial statement ratio analysis.
  - If tracked over time, it can be a key indicator of performance and can also indicate how the organization compares with organizations in the same industry.
  - This comparison with other organizations is commonly referred to as Benchmarking. Ratios are best utilized when compared to previous years (tracking) and in benchmarking. Quite often a ratio on its own does not have much interpretation value.
  - The ratio examples provided in this handbook is not an exhaustive list of ratios and many industries have specific measures that they track. The ratios illustrated in this handbook are the most common ratios used across industries. The ratios are categorized into Liquidity, Profitability and Cash Flow ratios.

Group Exercise 2: Navigating the Financial Modeling Tool

Scavenger Hunt

1. Find the description of the organization.
2. Find the location where the Other Direct Costs are listed.
3. Find the location where the roles of the staff/consultants are listed.
4. Find the location of the first activity under Project Activities B.
5. Locate the Tab for Training Activities.
6. Find the Total Revenue for this Project.
7. Where would one go to compare Gross Margins across Project Activities?

Session III: Looking at Costs

Purpose

The purpose of this session is to explore the types of costs that an organization incurs when delivering its products and services. This includes costs related to salaries and wages, training and meetings, and other direct costs, such as travel and transportation; as well as overhead costs.

Objectives

By the end of this session, participants will be able to:

1. Understand how to identify the costs associated with the delivery of products and services, including direct and indirect, fixed and variable costs
2. Build a budget based on costs

Duration

2 hours

Facilitators

- Edward Kyi
- Nyamache Nyanchienga, MBA, CPA

Materials

- Fundamentals of Costing and Pricing Handbook
- Session Guide
- Financial Modeling Tool for Costing and Pricing

Session III: Looking at Costs Lead Facilitator: Edward and Nyamache		
Time	**Activities**	**Materials**
15 minutes	Review session objectives	Session Guide
45 minutes	Review the types of costs to be captured by the Financial Modeling Tool for Costing and Pricing	Flip Chart
1 hour	Populate the Allowances Tab; the Training, Workshops and Meetings Tab; the Project Activities Tabs; and appropriate sections of the Project Budget Tabs, using dummy data	Financial Modeling Tool for Costing and Pricing

Session IV: Understanding the Margin

Purpose
The purpose of this session is to explore the sources of margin, such as a Management Fee, that an organization uses to calculate the price for its products and services.

Objectives
By the end of this session, participants will be able to:

1. Understand how to identify the sources of margin to be applied to the delivery of products and services
2. Begin to incorporate margin into the budget

Duration
2 hours

Facilitators
- Edward Kyi
- Nyamache Nyanchienga, MBA, CPA

Materials
- Fundamentals of Costing and Pricing Handbook
- Session Guide
- Financial Modeling Tool for Costing and Pricing

Session IV: Understanding the Margin Lead Facilitator: Edward and Nyamache		
Time	**Activities**	**Materials**
15 minutes	Review session objectives	Session Guide
1 hour	Discuss an appropriate Management Fee and how it is determined	Flip Chart
45 minutes	Populate the Project Cost Analysis Tab (fee and margin per project activity) and the Project Profitability Analysis Tab (fee and margin overall) with the Fee and Margin, using the dummy data	Financial Modeling Tool for Costing and Pricing

Session V: Developing a Revenue Forecast

Purpose
The purpose of this session is to develop a revenue and income forecast based on the costs, price and potential demand for the organization's products and services.

Objectives
By the end of this session, participants will be able to:

1. Define the relationship between price and sales, and price and revenue
2. Understand how to model and project the levels of revenue and income generated through the sale of products and services
3. Begin to build the revenue forecast

Duration
3 hours

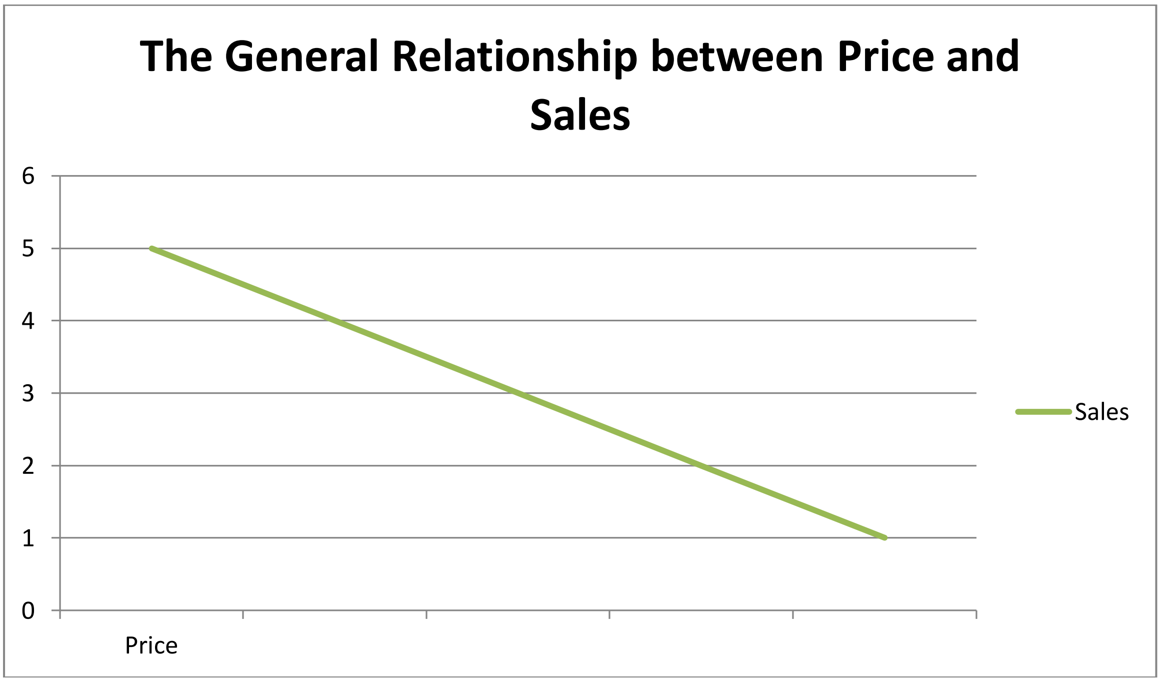
Facilitators
- Judith Seltzer, MPH, MBA
- Edward Kyi

Materials
- Fundamentals of Costing and Pricing Handbook
- Session Guide
- Reference Material: Willingness to Pay Survey
- Financial Modeling Tool for Costing and Pricing

Session V: Developing a Revenue Forecast Lead Facilitator: Edward and Robina		
Time	**Activities**	**Materials**
15 minutes	Review session objectives	Session Guide
15 minutes	Review the elements of a Willingness to Pay Survey	Reference Material: Willingness to Pay Surveys
2 hours	Create a market research instrument to determine an appropriate price for a package of training	Flip Chart
30 minutes	Demonstrate the Project Profitability Analysis Tab, using dummy data	Financial Modeling Tool for Costing and Pricing

Reference Material: Willingness to Pay Surveys

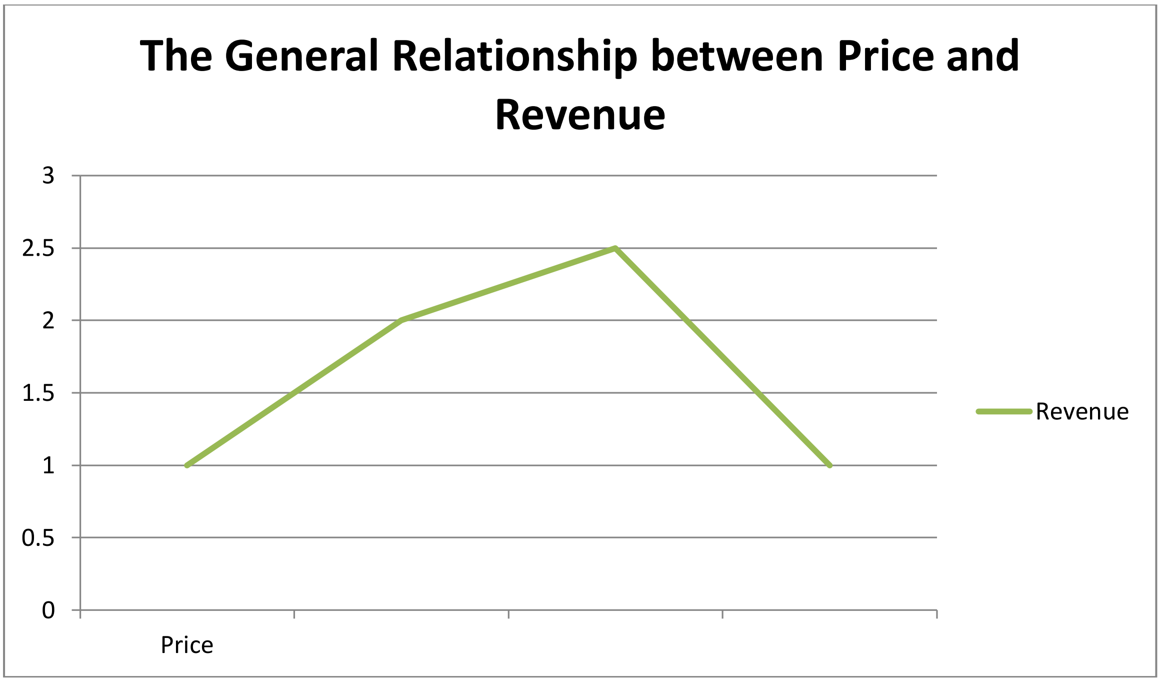
Introduction
The shape of the demand curve for a particular product or service will depend on many factors, including alternative methods, brands, and sources of supply, as well as clients' income and motivation to use the product or service. If there are many competing alternatives in the market and clients' income is low, sales or use might drop quickly as prices increase.



On the other hand, if there are few alternatives and clients' motivation to use is high, sales or use might be less affected by changes in price.

Willingness to Pay (WTP) surveys measure potential demand for products or services by asking consumers, "*Would you purchase this product if it were offered at this price?*" They are frequently used in health, social, and environmental programs for price setting and cost-benefit analyses. When a few simple analyses are performed, WTP survey data permit program managers to estimate the number of clients who will pay a given price, the amount of revenue that will be generated by that price, and if the appropriate questions are included in the questionnaire, the characteristics of individuals who will or will not pay that price.

When more complicated analyses are performed, the data can also be used to estimate the revenue maximizing price for a product or service. The basic WTP survey is quick to administer and requires relatively modest sample sizes.



WTP surveys help answer the question, *"How much can we charge?"* Before trying to answer this question with a WTP survey, we must have the answer to another question, *"How much should we charge?"*

Prices to be tested in a WTP survey should be based on some programmatic objective. This objective must be clearly articulated **before** the willingness to pay survey is designed.

In addition, there are two basic questions to ask the program manager: *"Whom do you wish to serve?"* And, *"What do you plan to do with the revenue generated by charging or raising your prices?"* These questions focus the investigation on the program's target population and on its financial objectives.

Rules of Thumb

Know your target population. Most service providers try to reach specific kinds of clients. Social programs, such as ministries of Health and NGOs, often define their target markets in terms of income, ability to pay, or lack of access to commercial outlets. Since different groups of clients may react differently to price increases, specifying the target population in advance allows the investigator to include these characteristics in the survey and focus the analysis on those individuals of greatest importance to the program.

Know your financial objectives. The most common motives for raising revenues are to keep pace with increasing costs or inflation, to increase cost recovery in order to decrease reliance on external donations(i.e., sustainability), or to generate surplus revenues in order to expand services or to subsidize other program activities. All require that program managers know what their real costs are, which is a study in discipline itself. If the objective of the new price is to purchase contraceptives, then the manager needs to know how much contraceptives cost. If the objective is to generate excess revenues to subsidize another service, then the costs of both services must be known. Finally, if the objective is to improve overall sustainability, then all program costs must be known, which include both the commodities and supplies used during the consultation and/or provided to the client (including wholesale prices paid or the value of donations, packaging, transport, storage, etc.) and the ancillary costs associated with the service provision (salaries, rent and utilities, equipment, maintenance, etc.).

Select a small number of products or services. Marketing programs are usually interested in WTP for only one or a small number of products. Clinical programs, however, are sometimes interested in setting or increasing prices for a large number of products or services. Although large numbers of services can be included in a WTP survey, it is usually best to focus on no more than 3–4 priority services. Low volume services that contribute little to costs or revenues should not be included because of the difficulty in obtaining a large enough sample for reliable decision making.

Know your current prices. Prices actually charged in program outlets may not be the same as those established by the organization headquarters. Price data at the central level are often out-of-date or incomplete. Call or visit each clinic that is to be included in the study to obtain the true current prices for all services to be covered in the survey. In social or commercial marketing applications, a product will often be offered at different prices in different outlets. Reliable information on the current price range of the product should be obtained before beginning the survey.

Know your current and past service volume. Accurate service statistics or sales records are essential to the appropriate interpretation of survey findings. Demand for many health products, such as oral rehydration salts or mosquito bed nets, may fluctuate with the season of the year, and clinic hours may be curtailed during public or religious holidays. Price increases may have different effects in new settings where client demand is growing than in established settings where demand has been constant or even declining.

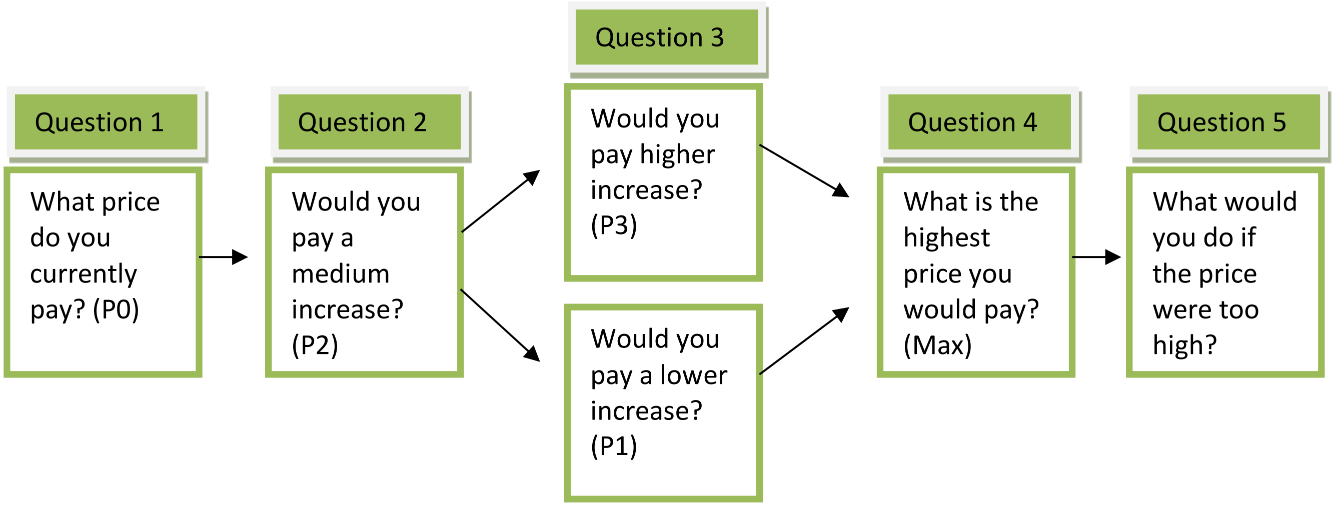
Select sampling strategies. The type of sampling and sample size used in a WTP survey will depend on the nature of the product or service under study and the precision of the results required. The programmatic question should determine the study design. If a clinic manager wants to know the impact of a price increase on his/her current clientele, the appropriate place to conduct interviews is in the clinic itself. A price-setting survey for products that are intended to be sold through pharmacies can be conducted of customers leaving pharmacies (known as a pharmacy-intercept survey). The introduction of new services or products or WTP among individuals who are not currently using the service may best be studied with population-based samples representative of the country as a whole or specific geographic or socioeconomic status (SES) areas.

In general terms, precision of the estimate increases with larger sample sizes, and sample sizes and survey costs increase with the number of products and/or services and service delivery points included in the survey. Surveys in clinic settings have tended, for efficiency purposes, to conduct exit interviews with all clients obtaining services in a set of clinics during a fixed period (usually 2–4 weeks, depending on client volume). This is a viable option if the clinic has a large clientele; however, it may be prohibitively expensive to obtain a reliable number of observations in small service delivery points, such as community-based distributors or rural health posts, which may serve no more than one or two clients per day.

Select a stand-alone survey or module in a larger survey. Money can be saved by including the basic set of WTP questions in a survey conducted for another reason, such as a client satisfaction exit survey in a reproductive health clinic. However, collaboration opportunities are often limited by the sample characteristics and timeliness of the larger survey.

Questionnaire Design
The National Oceanic and Atmospheric Administration has established best practice rules in order to overcome the major sources of bias associated with WTP surveys. They recommend that WTP surveys should (1) rely on personal interviews; (2) use close-ended questions that elicit the respondents' WTP for a specified increment for a service that is familiar to them; (3) remind respondents that the price increment reduces other consumption; (4) include reminders that substitutes exist for the service in question; and (5)question respondents about factors that might influence their preferences.

In practice, respondents need to understand the *context* of the questions; that is, they need to understand exactly what it is they would be purchasing. This is less of a problem when current users are asked their willingness to continue purchasing a product or service at a higher price, or if nonusers are asked about a product or service they have used in the past. It may, however, be difficult to ask respondents about something they have never used, such as a new product. When examining WTP for new products, it is best to show a product sample to the respondent and provide a full description of the product. Also, when dealing with a nonuser, first ascertain her/his interest in using the product in the first place.



Session VI: Monitoring and Reporting on Financial Performance

Purpose
The purpose of this session is to introduce specific metrics that can be used to monitor and report on the financial performance of the organization. The metrics that will be discussed include two types: Value for Money ratios that assess the efficiency of labor; and Cost and Revenue Analysis indicators that track the levels and growth of income generated over time.

Objectives
By the end of this session, participants will be able to:
1. Define the metrics for Value for Money
2. Define the metrics for Cost and Revenue Analysis
3. Analyze graphic displays of financial performance

Duration
2 hours

Facilitators
- Edward Kyi
- Nyamache Nyanchienga, MBA, CPA

Materials
- Fundamentals of Costing and Pricing Handbook
- Session Guide
- Reference Material: Common Financial Performance Metrics
- Financial Modeling Tool for Costing and Pricing

Session VI: Monitoring and Reporting on Financial Performance Lead Facilitator: Edward and Nyamache		
Time	**Activities**	**Materials**
15 minutes	Review session objectives	Session Guide
1 hour	Review the common financial performance metrics and examine the Financial Indicators under the Project Profitability Analysis Tab	Reference Material: Common Financial Performance Metrics Financial Modeling Tool for Costing and Pricing
45 minutes	Review the graphs generated under the Financial Performance Graphs Tab	Financial Modeling Tool for Costing and Pricing

Reference Material: Common Financial Performance Metrics

Quite often many industries have specific indicators used to evaluate performance. Many of these performance evaluation indicators, if tracked consistently, can also indicate whether efficiency gains are achieved. When compared to those of competitors or other industry players, they can provide an effective measure of how the organization performs relative to competitors and/or peers.

Some of these ratios are specifically useful in expense management, because donor organizations increasingly focus on the efficiency and value for money of their funding (investment). The following are some Value for Money ratios:

- **Total Direct Labor Cost (Salaries) as % of Total Costs:** Total Direct Labor/Total Expenses X 100

This indicator also helps to track how efficiently Direct Labor is used. Since in many cases, Direct Labor is the largest Direct Cost, if you can limit the percentage of Total Costs dedicated to Direct Labor, then chances are you can reduce the Total Costs.

- **Total Direct Labor Cost (Salaries) as % of Total Revenue:** Total Direct Labor/Total Revenue X 100

This indicator helps to track how efficiently Direct Labor is used. If a smaller percentage of Total Revenue is consumed by Direct Labor Costs, then there should be greater income or profit.

Although donors and other funders are probably more interested at this stage in a social return on their investments, it may also interest them to see that your organization is benefiting financially from the investment, particularly if you are able to leverage the investment to extend or enhance the services you currently offer to your clients.

Conducting cost and revenue analyses will help you develop a baseline of programmatic and financial data for your organization. It provides a picture of the current situation and helps your organization identify ways to increase cost efficiency and revenue generation. The following are some Cost and Revenue analysis indicators:

- **Revenue projections over 5 years by Project Activities:** What trends are observable regarding the revenue generated by the organization?
- **Cost projections over 5 years by Project Activities:** What trends are observable regarding the costs incurred by the organization?
- **Income projections over 5 years by Project Activities:** When costs are subtracted from revenue, what income trends might the organization experience?
- **Income projections over 5 years by Project Activities, segregated by margin and fee:** Which source, fee or margin, generates the most profit?

All of the Financial Monitoring and Reporting indicators are calculated in the Financial Modeling Tool for Costing and Pricing, and can be found in the “Project Profitability Analysis” tab, and the “Financial Performance Graphs” Tab.

Attachment A: Participant Pre- and Post-Assessment Tool

Instructions:

Below are multiple choice questions, please mark the right answer for each of the questions

1. In an organization who is responsible for business development?
   - ☐ Finance personnel
   - ☐ Program/planning personnel
   - ☐ Everybody in the organization
   - ☐ Business and research development unit

2. What do you understand by the term cost recovery?
   - ☐ Controlling and conserving organization resources
   - ☐ Proper budgeting
   - ☐ Financial management
   - ☐ Seeking new and expanded markets for products and services to generate funds to cover the costs of developing and selling the products and services

3. What are the organization's non-financial assets?
   - ☐ Money
   - ☐ Good management
   - ☐ Personnel, equipment, supplies and non-monetary contributions
   - ☐ Corporate governance

4. What do you understand by the word direct cost?
   - ☐ Costs that are paid from an organization general funds
   - ☐ Costs that remain the same regardless of increase or decrease of demand of products or services
   - ☐ Costs that vary based on increased in demand of a product or service
   - ☐ Cost incurred and paid from a particular project or activities that have their own funding sources

5. What is profit margin?
   - ☐ Outflow to another person or group to pay for products or services
   - ☐ Left-over funds in a non-profit normally re-invested in an organization
   - ☐ The difference between the price of the products or services and the cost of developing and delivering the product or service
   - ☐ The money organization receives in the form of fees

6. What is a product?
   - ☐ Something that can be packed, priced and delivered in a number of different ways and has a defined purpose and use
   - ☐ A good for which there is demand but which is supplied without qualitative differentiation across the market
   - ☐ Something of value and there is a market for it
   - ☐ Added value item

7. What is cost analysis?
   - ☐ Statement that identify the use of an organization cash
   - ☐ A study of the cost of the resources (such as personnel, supplies, and equipment) associated with delivering a product or service
   - ☐ The cost incurred and paid for a particular project or activities that have their own funding sources
   - ☐ Cost incurred and paid from an organization general funds

8. What do you understand by the term value chain?
   - ☐ A sequential series of activities that increase the value of an item as it progresses from a raw material to a defined product or service
   - ☐ Primary and secondary products/services
   - ☐ Products and services chain
   - ☐ Difference between the price of a product/service and the cost of developing and delivering the product/service

9. What is the general relationship between price and sales?
   - ☐ Increase in price increases the sales volume
   - ☐ Increase in price reduces the volume of sales
   - ☐ Price fluctuation does not affect sales volume
   - ☐ All of the above

10. In forecasting the amount of revenues that will be generated by a particular price it is important to;
    - ☐ Conduct a willingness to pay survey
    - ☐ Marketing and promotion
    - ☐ Hire professional accountants
    - ☐ No answer

Attachment C: Responses for Participant Pre- and Post-Assessment Tool

1. In an organization who is responsible for business development?
   - ☐ Finance personnel
   - ☐ Program/planning personnel
   - ☐ Everybody in the organization
   - ☐ Business and research development unit

2. What do you understand by the term cost recovery?
   - ☐ Controlling and conserving organization resources
   - ☐ Proper budgeting
   - ☐ Financial management
   - ☐ Seeking new and expanded markets for products and services to generate funds to cover the costs of developing and selling the products and services

3. What are the organization's non-financial assets?
   - ☐ Money
   - ☐ Good management
   - ☐ Personnel, equipment, supplies and non-monetary contributions
   - ☐ Corporate governance

4. What do you understand by the word direct cost?
   - ☐ Costs that are paid from an organization general funds
   - ☐ Costs that remain the same regardless of increase or decrease of demand of products or services
   - ☐ Costs that vary based on increased in demand of a product or service
   - ☐ Cost incurred and paid from a particular project or activities that have their own funding sources

5. What is profit margin?
   - ☐ Outflow to another person or group to pay for products or services
   - ☐ Left-over funds in a non-profit normally re-invested in an organization
   - ☐ The difference between the price of the products or services and the cost of developing and delivering the product or service
   - ☐ The money organization receives in the form of fees

6. What is a product?
   - ☐ Something that can be packed, priced and delivered in a number of different ways and has a defined purpose and use
   - ☐ A good for which there is demand but which is supplied without qualitative differentiation across the market
   - ☐ Something of value and there is a market for it
   - ☐ Added value item

7. What is cost analysis?
   - ☐ Statement that identify the use of an organization cash
   - ☐ A study of the cost of the resources (such as personnel, supplies, and equipment) associated with delivering a product or service
   - ☐ The cost incurred and paid for a particular project or activities that have their own funding sources
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10. In forecasting the amount of revenues that will be generated by a particular price it is important to;
    - ☐ Conduct a willingness to pay survey
    - ☐ Marketing and promotion
    - ☐ Hire professional accountants
    - ☐ No answer

Attachment D: Course Evaluation

1. Name of your organization:

2. How would you rank the facilitation of this program?
   a. Quality of Facilitation
      - ☐ Excellent
      - ☐ Good
      - ☐ Mediocre
      - ☐ Poor
   b. Facilitator Availability
      - ☐ Excellent
      - ☐ Good
      - ☐ Mediocre
      - ☐ Poor
   c. Facilitator Feedback
      - ☐ Excellent
      - ☐ Good
      - ☐ Mediocre
      - ☐ Poor
   d. Usefulness of Facilitator's Comments
      - ☐ Excellent
      - ☐ Good
      - ☐ Mediocre
      - ☐ Poor
   e. Clarity of Facilitator's Feedback
      - ☐ Excellent
      - ☐ Good
      - ☐ Mediocre
      - ☐ Poor
   f. Additional Comments (Please be specific)

3. What recommendations do you have to strengthen the role of the facilitators?

4. Within the next six months, which tools, handouts or templates presented in the workshop do you think you will begin to use in your work?

5. What aspects of the workshop did you find most useful?

6. What aspects of the workshop did you find most challenging?

7. Did you like the delivery platform (PowerPoint) of the workshop?

8. Would you recommend this program to other organizations?

9. Was enough time allotted for each session?

10. Please provide any other comments, suggestions or recommendations: