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Cepheo Project Cost Allocation
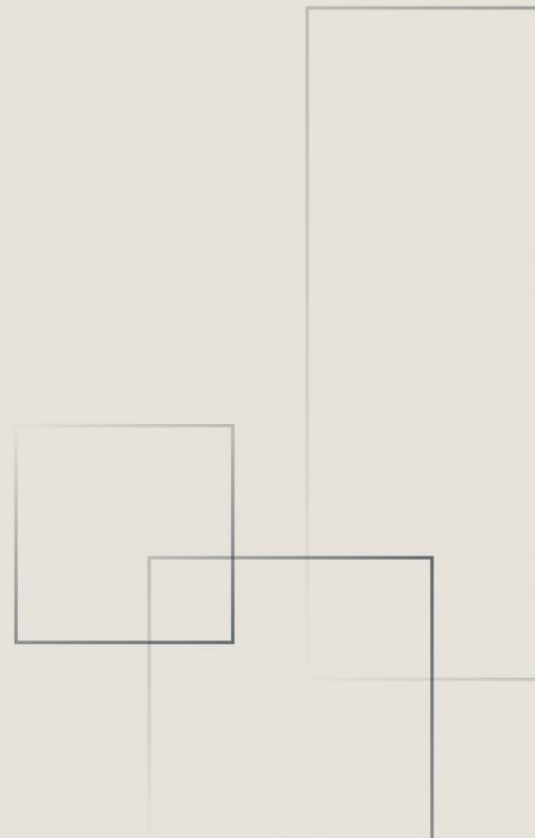
Use cases

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1   INTRODUCTION

The *Project cost allocation (PCA)* feature allows for cost distribution across projects within a project structure. Both transactions and/or forecast may be allocated, either partly or entirely, depending of the purpose and business needs.

There may be several source projects in the same project, and on different levels of the structure. The same source project may also be specified in several Project cost allocation setups, allocating different type of cost in different directions across the project structure, even to other part (project leg) of the project. A source project can never be specified as a target project. A target project, on the other hand, may receive allocated cost from several different source projects.

This document describes some scenarios how the feature *can* be used.

Illustration of a project structure where a Cost allocation project is established for the main project. The arrows represent allocated cost from source to target projects, and allocated cost might be both transactions and/or forecast.

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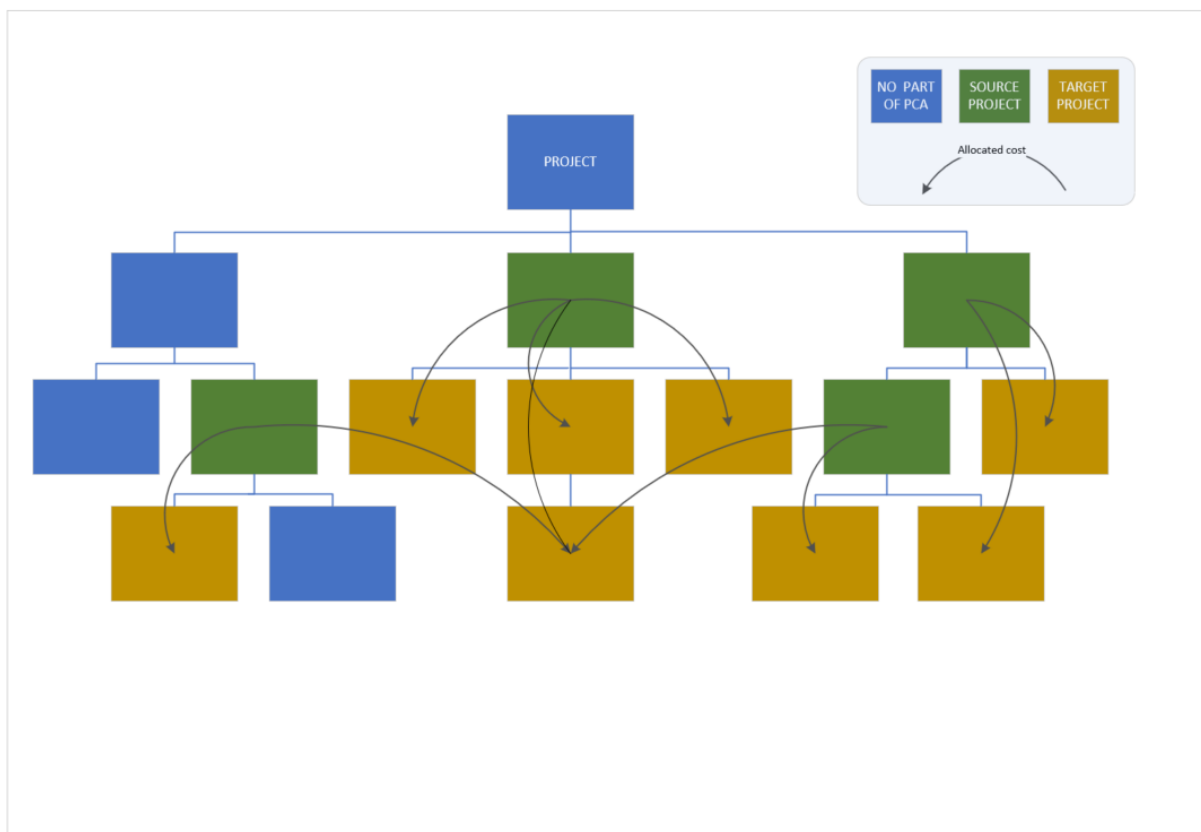
2   EXAMPLE 1: CONSTRUCTION PROJECT

In following scenario, an entreprise company runs a project for building electricity and communication infrastructure. Parts of the project are investments which should be partly allocated to own companies, and partly are funded through external stakeholders such as companies, private persons and a municipalitiy. Other parts of the project are not to be allocated.

The first illustration below shows the two parts of the project whics is subject to Project cost allocation, represented by 2 different subprojects defined as source projects. Below each of these source projects, separate subproject for each stakeholder could be created. These subprojects would be specified as target projects, and cost from the parent project could then be allocated by allocation keys assigned to each individual target project. This approach would imply that a target project for one party must be created below each of the source projects.
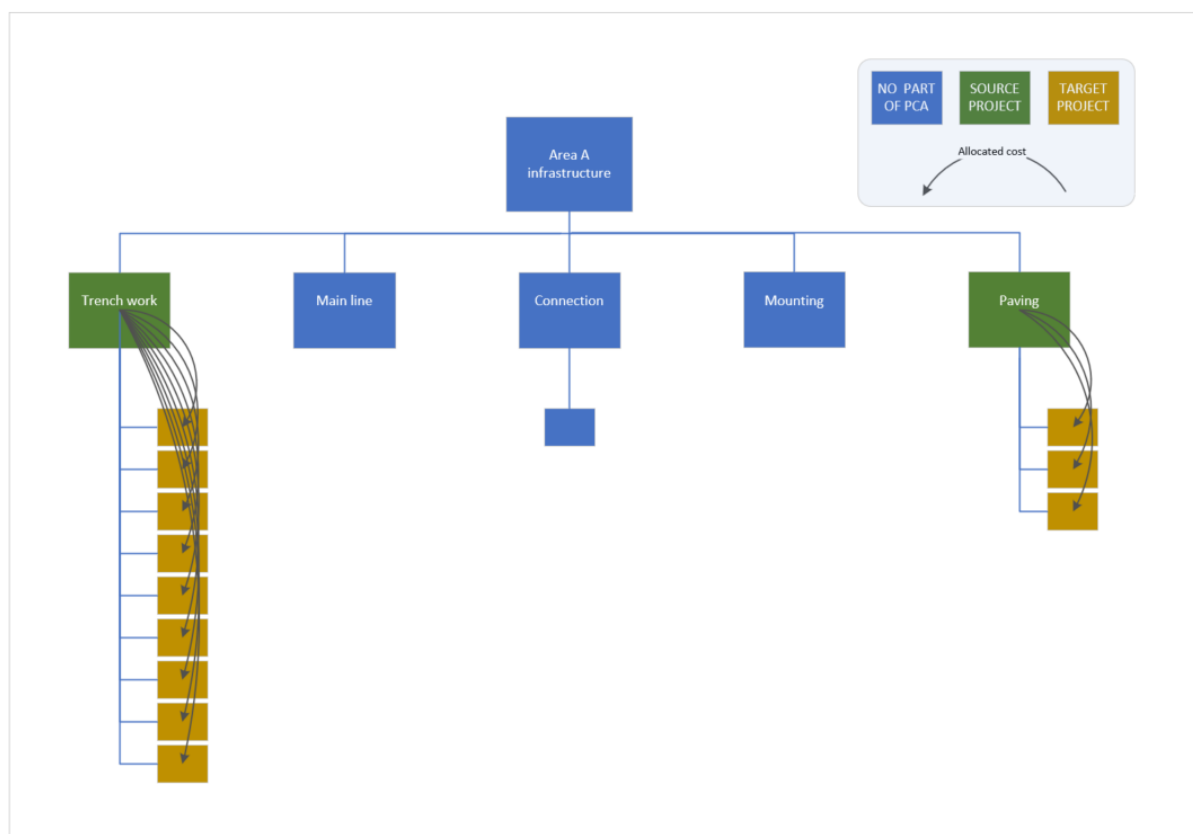
An other approach to the project structure is to only create one target project for each party in the project. This could be done as illustrated below, where cost from different source projects are allocated to the respective target projects according to the agreements. Which approach to use is optional, and could depend on business needs and how the cost should be treated in the target projects going forward.

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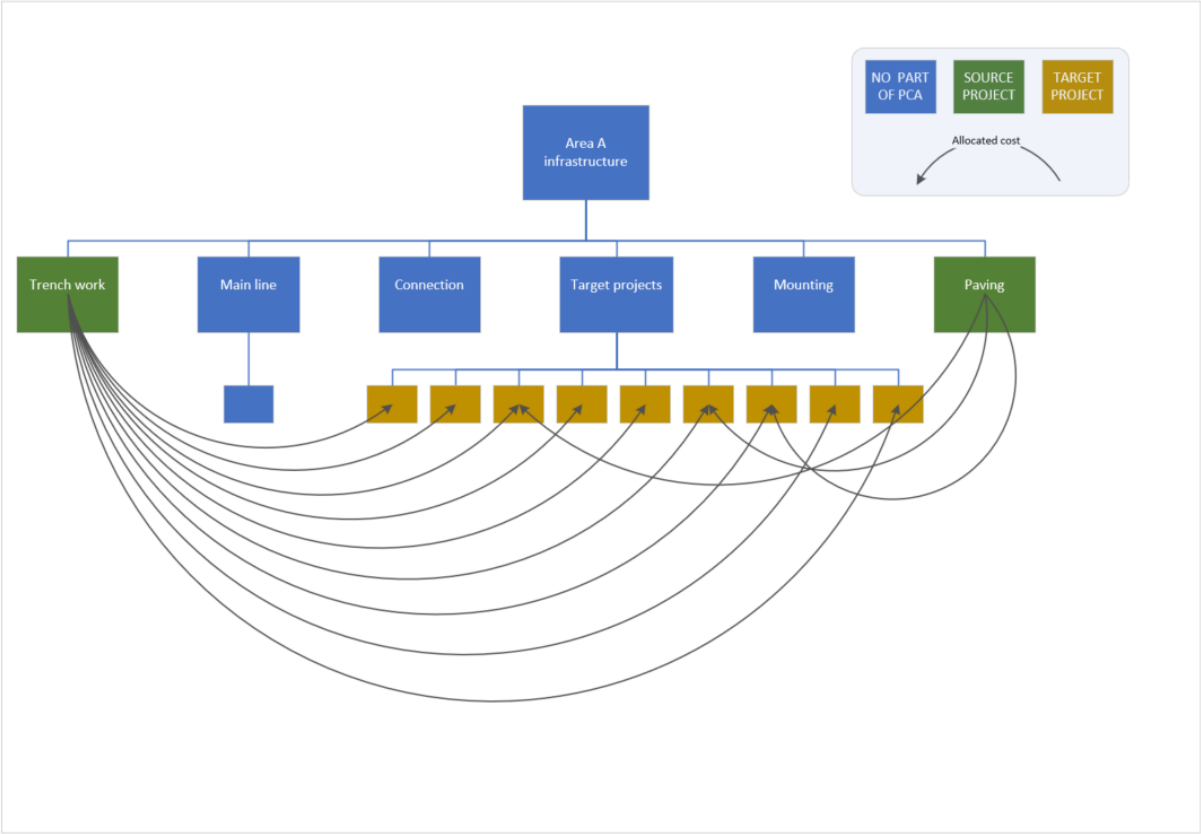
By this setup, the total allocated cost for one party will be located in the same target project instead of several. A target project may receive allocated cost from several source projects, and even cost with various allocation keys from the same source project, i.e. based on different activities.
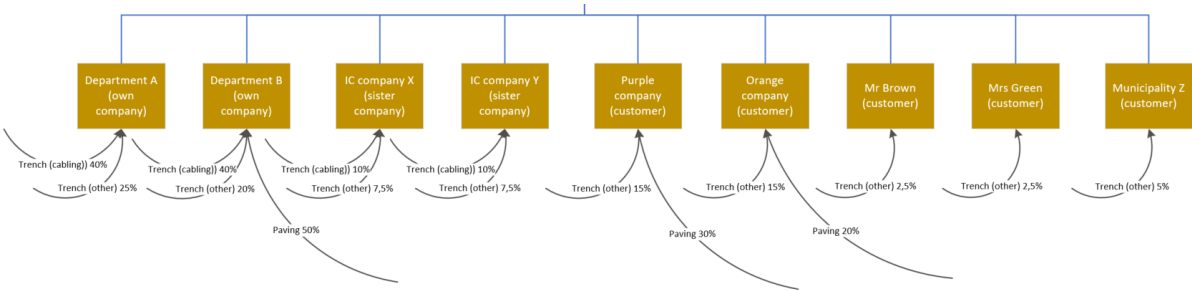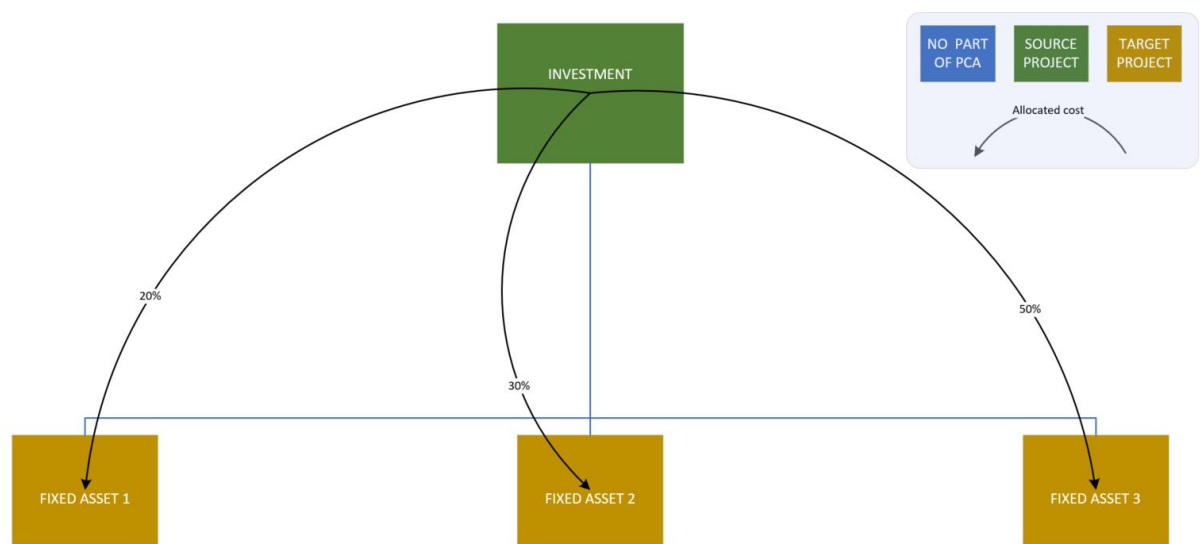

In Dynamics 365 Finance and Operations, the setup above would look something like this:

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3   EXAMPLE 2: INVESTMENT PROJECT

Cepheo Project Cost Allocation may also be utilized for various investment project scenarios. Both if an investment project is part of a project structure as described in previous chapter, or in own investment project structures. In the illustrations below, cost is allocated to three fixed assets based on registration of actuals in on common Source project:

In Dynamics 365 Finance and Operations, the setup above would look something like this:

4 EXAMPLE 1: ADMINISTRATIVE PROJECT

Internal projects, i.e. for overhead cost, could be set up for project cost allocation in order to distribute share of cost across departments and financial dimensions or other companies/customers.

In illustration below, department A and C are physically located in the rented office space, but are different in size. Department B does not use office space, but are using the canteen as well as broadband and telephony. The posted transactions are differentiated and allocated across the departments by use of activities in the source project, and the different project cost allocation rules specifies the share of cost from each activity the three departments should have.

In Dynamics 365 Finance and Operations, the setup above would look something like this: