**Application: IFRS vs. U.S. GAAP**

1. In this week’s Discussion, you studied revenue recognition standards and related accounting issues for companies operating in international markets. Due to the scope of international markets and the differences in IFRS and U.S. GAAP accounting standards, accountants are also challenged with issues related to provisions, contingent liabilities and assets, employee benefits, and share-based payments.

For this Assignment, select two of the following topics: Provisions, Contingent Liabilities, and Contingent Assets (IAS 37); Employee Benefits (IAS 19); and Share-Based Payment (IFRS 2). Consider the accounting standards related to your selected topics. Think about the major differences between IFRS and U.S. GAAP financial reporting requirements for the recognition and measurement of your topics, as well as the impact of these reporting differences on multinational companies.

I will write a 2- to 3-page paper differentiating between IFRS and U.S. GAAP financial reporting requirements for the recognition and measurement of your selected topics. Evaluate the impact of the reporting differences of your topics on multinational companies.

.Final Project: Project Charter

The project charter is one of the more important project documents. It authorizes the project, provides the purpose and justification for the project, and provides the criteria to judge project success.

For this assignment, read the St. Dismas Assisted Living Facility case study on pages 111–112 of the Mantel text, as well as Chapter 3, pages 79–83. Create a project charter. Your project charter must be at least two pages, double-spaced, and include:

◦A statement about the purpose and justification for the project

◦A high-level description of the project requirements

◦A list of the primary project objectives and how success in meeting the objectives will be measured

◦Assumptions and constraints

◦High-level risks

◦Major project milestones

◦High-level/preliminary budget estimate

◦Key stakeholder analysis matrix including communications needs

◦Project approval procedure

CASE

St. Dismas Assisted Living Facility—1

St. Dismas Medical Center, an urban, nonprofit, 450-bed rehabilitation hospital began to see a significant decline in admissions. St. Dismas' mission focuses on inpatient and outpatient rehabilitation of the severely injured and catastrophically ill. While the patient census varied from month to month, it appeared to the St. Dismas Board of Trustees that the inpatient population was slowly but steadily declining. The hospital's market researchers reported that fewer people were being severely injured due to the popularity of seat belts and bicycle/motorcycle helmets. In order to get a handle on the future of the organization, the Board, and the CEO, Fred Splient M.D. called for a major strategic planning effort to take place.

In January 1999, St. Dismas held a planning retreat to identify future opportunities. The outcome of the retreat was that the Medical Center needed to focus its efforts around two major strategic initiatives. The first, a short run initiative, was to be more cost-effective in the delivery of inpatient care. The second, a long-run strategy, was to develop new programs and services that would capitalize on the existing, highly competent rehabilitation therapy staff and St. Dismas's excellent reputation in the region.

At the time of the retreat, Fred Splient's parents were living with him and his family. Fred was an active member of the “sandwich generation.” His parents were aging and developing many problems common to the geriatric populace. Their increased medical needs were beginning to wear on Fred and his family. It crossed Fred's mind that life might be more pleasant if the hospital Board approved an expansion of the Medical Center's campus to include an assisted living facility.

In March 1999, Fred had his Business Development team prepare a rough estimate of the potential return on investment of an assisted living facility. He asked the team to identify different options for facility construction and the associated costs. The team also did a complete competitive analysis and examined the options for services to be offered based on St. Dismas's potential population base and catchment area. The Business Development team visited several facilities across the country. The team also interviewed companies that could oversee the design, building, and operation of the facility for St. Dismas. The development team produced a preliminary business plan based on the recommended structure for the facility, estimated capital expenditure needs, estimated income from operation of the facility, as well as projected revenues to other Medical Center programs resulting from the facility's population.

The plan was presented at the May 1999 meeting of the Board of Trustees. Fred Splient and his team introduced the Board to the concept of opening an assisted living facility on St. Dismas's campus. The facility would be set up as a for-profit subsidiary of the Medical Center so that it could generate a profit and not be subjected to the strict guidelines of the hospital's accrediting agencies. As a subsidiary organization, however, the Board would still have control.

The chosen facility design was a freestanding apartment-like facility with a sheltered connection to the Hospital for access to the kitchen and hospital services. The facility would have 100 units with 15 to 30 of the units classified as “heavy-assisted” and built to code to house the physically and medically disabled. The rest of the units would be “light-assisted,” larger apartments. The population would be approximately 110 to 150 residents, with most being single occupants rather than couples.

The light-assisted apartments could hold residents who required only minor medical and social interventions. The residents of the heavy-assisted section would have more medical needs and would require assistance getting around. The Business Development team recommended this type of programming model, because many assisted living facilities were erected across the country, but few had a medical focus and offered the types of services that St. Dismas could offer—physical and occupational therapy programs, and behavior management programs to name a few.

The Board was assured that the facility would meet the strategic initiative of a growing business. The business plan projected an immediate increase in the number of referrals to the outpatient therapy programs. Another projected deliverable of the project was to enable St. Dismas to strengthen its focus on reimbursable preventive and wellness programs for the healthier geriatric population. The project's longer term goal was to increase the census in the hospital's inpatient units by having a location where people could age in place until they were in need of hospitalization, and then such a facility would be right next door.

Depending on the exact size of the apartments, their equipment, and the actual ratio of heavy-to light-assisted units, Fred estimated that the entire project would cost between $8,500,000 and $11,000,000 for the facility construction. That estimate included the cost of land, furnishings, and a sheltered connection to the hospital. When up and running, it was estimated that the net income would range between $9,000 and $12,000 per unit per year. The team estimated the net cash flow for the entire project to be around $1,500,000 per year.

Fred requested the Board to approve the concept and allow his team to prepare a pro forma plan to the Board for approval. The plan would include a recommended design for both heavy-and light-assisted apartments. It would also include all costs of land, construction, furnishings, and staffing. Income estimates would be included and would be conservatively biased. A timetable would also be included.

The Board conducted several executive sessions, and by the middle of May voted to approve the concept. They approved the architectural-construction-management firm recommended by the team, and they requested Splient to proceed with developing a complete project plan. The Board appointed two Board members to sit on Fred's planning group.

In June, Dr. Splient gathered his executive team together and presented the project mission, and scope. He reported that the board had approved a small budget to finance the planning process. The Board also stipulated that construction could not begin until after the November 1999 city elections because two of the Board Members were running in that election, one for a city council seat and one as a county commissioner. The Board also stated that they would like a plan that would allow the facility to open by July 2000, as research has shown that many adult children find the summer the easiest time to assist their parents in finding an alternative to independent living arrangements. The CEO and executive team were now confident that they were ready to launch the project to plan, build, and open an assisted living facility at St. Dismas.

A few days later, Fred decided that it was time to set up the team that would take responsibility for what he called the ALF project. He quickly decided to include the following staff at the launch meeting:

• Chief Financial Officer (CFO)

• Vice President of Business Development and Marketing

• Rehab Services Medical Director

• Construction Project Manager for capital facilities projects

• Chief Operations Officer (COO) (nursing, facilities, food services, and housekeeping)

• Director of Information Services

• Director of Support Services (central supply, purchasing, and security)

• Two members of the Board of Trustees, one with construction experience and the other a probable electee to the city council.

Even though the department directors from Support Services and Information Services would not be involved until later, Fred decided to include them from the beginning. Fred knew some members of his team had a tendency to become obstacles to progress if they felt left out.

Fred named the group the ALF Project Steering Committee and held the first meeting. Fred presented his vision for the facility. He told the group that he personally would be managing this project. He led a discussion of all the major steps that must be included in the project plan, and asked each team member to identify the areas for which they would accept responsibility. The hospital's Construction Project Manager took responsibility for the construction of the facility, and the COO volunteered to oversee the building design, as well as define the needs for food services, housekeeping, staffing, and policy and procedure development. The CFO agreed to develop the budgets for each area of the project as well as the operating budget for the facility. The CFO also agreed to create the payroll and accounting systems necessary to operate the facility.

The IS director accepted responsibility to define and set up all the telecommunications and information system needs of the facility. The VP of Business Development agreed to create a preliminary marketing plan, and a communication package for the community and hospital staff. In addition, she discussed organizing a major ground breaking event. The Medical Director said that he would design an assessment tool for determining residents' level of medical needs upon moving in to the facility. He felt this was the first step in defining what clinical services should be offered to residents. Fred told the team that he would develop the management structure for the new facility and work with in-house counsel to identify all governmental regulations as well as all industry standards that pertain to an assisted living facility and govern the facility's practices. Splient gave the team two months to come back with their detailed action plans for their areas of responsibility.

(Jr. 111-113)

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3.1 THE CONTENTS OF A PROJECT PLAN—THE “PROJECT CHARTER”

Before considering how to plan, we should decide why we are planning and what information the plan should contain. The primary function of a project plan is to serve the PM as a map of the route from project start to finish. The plan should include the business case or the organization's expected financial benefits that will accrue as well as the strategic reasons for the project. The plan should contain sufficient information that, at any time, the PM knows what remains to be done, when, with what resources, by whom, when the task will be completed, and what deliverables the output should include. This information must be known at any level of detail from the most general overall level to the minutiae of the smallest subtask. As the project travels the route from start to finish, the PM needs also to know whether or not any changes in project plans are contemplated and whether or not any problems are likely to arise in the future. In other words, the PM needs to know the project's current state and its future expectations. Because PMs are sometimes appointed after the project has begun, the PM also needs to know the project's history to date.

 There are several different types of project plans. For example, the PMBOK Project Plan (Chapter 3 and parts of the following chapter of PMBOK) is comprehensive and refers to the Project Charter and all the elements concerning the planning, execution, and control of the project. This is what we refer to as the ***project*** *plan* and is outlined next. (Later we will describe the project itself). It includes the Work Breakdown Structure (WBS), and the RACI matrix (sometimes called a linear responsibility chart) and a few other planning elements which also serve special purposes. As we will see, each of these plays a different role in project management.

The multiple elements required in the project plan fall into one of the following nine categories.

1. ***Overview.*** This section contains a brief description of the project and its deliverables (the latter are the project scope), together with a list of the major milestones or significant events in the project schedule and any constraints on the project scope. It is intended for senior management. This section (or the next) should include the *Business Case* for the project. The Business Case includes the strategic reasons for the project, its expected profitability and competitive effects as well as the desired scope and any other technical results. The intent of the Business Case is to communicate to project team members (and others) the reasons why the organization is undertaking the project. If not specifically noted elsewhere, the overview can list the project stakeholders, groups (or individuals) who have a legitimate interest in the project or its deliverables.

2. ***Objectives.*** This is a more detailed description of the project's scope, its deliverables and outcomes. Another approach to describing a project's objectives is the project *mission statement.* While somewhat similar to the Business Case, the focus of the mission statement is to communicate to project team members (and others) what will be done to achieve the project's overall objectives. To foster team understanding of the project as a whole, a representative group of team members and stakeholders are often included in the process of developing the statement of objectives.

3. ***General approach.*** In this section, the technological and managerial approaches to the work are described. An identification of the project as “derivative,” “platform,” or “breakthrough” might be included, as might the relationship between this project and others being undertaken or contemplated by the organization. Also noted are plans that go beyond the organization's standard management practices. For example, some firms do not allow the use of consultants or subcontractors without special approval.

4. ***Contractual aspects.*** This section contains a complete description of all agreements made with the client or any third party. This list would include all reporting requirements; the technical specifications of all deliverables; agreements on delivery dates; incentives (if any) for performance, for exceeding contractual requirements, and penalties (if any) for noncompliance; specific procedures for making changes in the deliverables, project review dates and procedures; and similar agreements. If relevant, it may contain agreements to comply with legal, environmental, and other constraints on the project work and outputs.

5. ***Schedules.*** Included in this section is an outline of all schedules and milestones. Each task in the project is listed in a project WBS. (The WBS is discussed later in this chapter.) Listed with each task is the time required to perform it. The project schedule is constructed from these data and is included in this section.

6. ***Resource requirements***. Estimates of project expenses, both capital and operating, are included here. The costs associated with each task are shown, and overhead and fixed charges are listed. Appropriate account numbers to be charged are listed with the relevant cost items. This becomes the *project budget*, though the PM may use a budget that deletes overhead and some fixed charges for day-to-day project management and control. (The details of budget preparation are covered in the next chapter.) In addition, cost monitoring and cost control procedures are described here. The details of materiel acquisition are also detailed in this section.

7. ***Personnel.*** This section covers the details of the project work force. It notes any special skill requirements, necessary training, and special legal arrangements such as security clearances or nondisclosure agreements. Combined with the schedule, it notes the time-phasing of all personnel requirements. Sections 5, 6, and 7 may contain individual notations concerning managerial responsibility for control of each area, or RACI matrix (see later in this chapter) detailing the managerial/informational accountability requirements for each person.

8. ***Risk management.*** “Learn from experience” is a widely ignored adage. This section is an attempt to remedy that condition. Planners should list the major and minor disasters that may strike projects similar to the one being undertaken—late subcontractor deliveries, bad weather, unreasonable deadlines, equipment failure, complex coordination problems, changes in project scope, and similar dire happenings. The argument is made that crises cannot be predicted. The only uncertainty, however, is which of the crises will occur and when. In any case, dealing with crises does not require a which-and-when prediction. In every project there are times when dependence on a subcontractor, or the good health of a software-code writer, or good weather, or machine availability is critical to progress on a project. Contingency plans to deal with such potential crises should be a standard part of the project plan as well as a permanent file in the PMO (or EPMO). A method for quantifying the potential seriousness of risks, Failure Mode and Effects Analysis (FMEA), is helpful and is covered in Chapter 4. It is well to remember that no amount of current planning can solve current crises—but developing contingency plans may prevent or soften the impact of some.

9. ***Evaluation methods.*** Descriptions of all project evaluation procedures and quality standards are found in this section. Responsibility and control of all project activities, as detailed in the RACI matrix, may be noted here instead in the Personnel section. Also included are procedures to ensure compliance with all corporate requirements for monitoring, collecting, and storing data on project performance, together with a description of the required project history.

With one important addition, this is the project plan. That addition is known as the Project Charter. The Project Charter contains most, if not all, of the nine items listed above. In practice, the Charter is often an abridged version of the full project plan containing summaries of the budget and schedule details. The major project stakeholders must sign off on the plan. The list of signatories would include a person representing the project sponsor, the client/user, the Project Manager, and the Program Manager if the project is a part of an overall program. In some cases, representatives of other stakeholders may be asked to sign their approval. Clearly, this may require negotiation. Once agreed to, the charter (and the plan) cannot be altered by any signer without acceptance by the others. A bias toward reality requires us to note that different stakeholders have different levels of clout. If senior management and the client both favor a change in the scope of the project, the project manager and his or her team would be well advised to accept the change in good grace unless there is some overriding reason why such a change would be infeasible. Occasionally, stakeholders not directly connected to the organization conducting the project or the client purchasing it can be so demanding that provision is made for them to sign-off on specific changes. Consider, for example, People for the Ethical Treatment of Animals (PETA) and their battles with cosmetic firms over the use of animal testing for cosmetic products. Once completed, the Project Charter becomes a part of the project plan.

Obviously, all of the plan contents listed above are necessary for large, nonroutine projects such as a major software development project. They are not all required for small, routine projects. Specific items such as task schedules, resource/personnel needs, and calendars are needed for any project, large or small, routine or not. Indeed, even if the project is both small and routine, a section dealing with contractual agreements is often needed if the project is for an arm's-length client or if a subcontractor or consultant is involved.

It is hard to overstate the importance of a clear statement of the purpose of the project. It is not, repeat NOT, sufficient to state the project objectives without reference to its purpose. For example, to reach the Pudong International Airport from Shanghai's business center, China built a magnetic levitation (maglev) train that runs every 10 minutes (PMI, April 2004). Reaching speeds over 300 miles an hour, it whisks people to the airport 20 miles away in less than 8 minutes. However, according to the vice-director of the train company, “We are not lucky with ticket sales.” The trains are virtually empty. The reason is simple. To meet the time deadline and budget, the train station was located 6 miles outside the city center, requiring lengthy public transportation to get there. The project met its technical, budgetary, and schedule objectives successfully. It failed, however, to meet the needs of the public. China is currently investigating extending the line to the downtown area, but that will be a much more expensive and time-consuming project.

The importance of a contract specifying the process of potential problem solving between the project's principals in addition to the content of project deliverables is made clear in the following example. $74 million of Philadelphia's $567 million Market Street Elevated train system reconstruction project went to PKF Mark III contractors for one portion of the system (PMI, Feb. 2005). The Philadelphia transportation authority (SEPTA), however, maintained that PKF is was far behind schedule, failed to meet the eight milestones of the contract, or complete any of the activities. PKF, in turn, maintained that SEPTA's failure to accept work performed in accordance with the contract constituted a change in project scope, and SEPTA's lack of timely action regarding submittals, requests for information and drawings, claims and change orders are what took the project off schedule. Both groups have gone into litigation to resolve the issue, but the delays of litigation threaten the loss of federal funding for the project. If mediation instead of litigation had been included in the initial contract, the problem might have been more quickly resolved.

One additional use for a careful, complete project plan is when the project may be small and routine, but it is also carried out frequently, as in some maintenance projects. The complete planning process may be conducted to form a template for such projects—with particular emphasis on evaluation methods. With this template, planning similar projects is simple—just fill in the blanks. If changes in the plan are contemplated, the prescribed evaluation methods can be employed. This allows a “continuous improvement” program, sometimes called “rolling wave” planning, to be implemented with ongoing evaluation of suggested changes.

The project plan should contain nine elements: a project overview, a statement of objectives, a description of the technical and managerial approaches to the work, all contractual agreements, schedules of activities, a list of resource requirements or a project budget, personnel requirements, project evaluation methods, and preparations to meet potential problems. When all stakeholders have signed off on the plan, it becomes an operational Project Charter.

3.2 THE PLANNING PROCESS—OVERVIEW

A great deal has been written about planning. Some of the literature focuses on the strategic aspect of planning—(e.g., Webster, Reif, and Bracker, 1989) choosing and planning projects that contribute to the organization's goals (cf., the introduction to Section 1.5, in Chapter 1). Another body of writing is directed at the techniques of how to plan rather than what to plan (e.g., Pells, 1993; Prentis, 1989). These techniques, if we are to believe what we read, differ from industry to industry, from subject to subject. Architecture has a planning process; so does software development, as does construction, as well as pharmaceutical R&D projects, and campaigns for raising funds for charity.

As far as we can determine, the way that planning techniques vary in these different cases has more to do with nomenclature than substance. Consider, for example, the following planning process that has been divided into eight distinct steps.

1. Develop and evaluate the concept of the project. Describe what it is you wish to develop, including its basic performance characteristics, and decide if getting such a deliverable is worthwhile. If so, continue.

2. Carefully identify and spell out the actual capabilities that the project's deliverable must have to be successful. Design a system (product or service) that will have the requisite capabilities.

3. Create such a system (product or service), which is to say, build a prototype deliverable.

4. Test the prototype to see if it does, in fact, have the desired capabilities. If necessary, cycle back to step 3 to modify the prototype and retest it. Continue until the deliverable meets the preset requirements.

5. Integrate the deliverable into the system for which it was designed. In other words, install the deliverable in its required setting.

6. Validate the deliverable—which answers the question, “Now that we have installed the deliverable, does it still work properly?”

7. If the deliverable has been validated, let the client test it. Can the client operate the system? If not, instruct the client.

8. If the client can operate (and accepts) the deliverable, make sure that the client understands all standard operating and maintenance requirements. Then shake the client's hand, present the client with a written copy of maintenance and operating instructions, give the client the bill, and leave.

Reread the eight steps. Are they not an adequate description of the planning process for the design of a new pick-up truck, of a high-end hotel room, of a restaurant kitchen, of a machine tool, of a line of toys, etc.? They would need a bit of tweaking for some projects. An R&D project would need a more extensive risk analysis. If the project is a new pharmaceutical, for example, it would need toxicity and efficacy testing, and clearance from the FDA, but the general structure of the planning process is still adequate.

The eight steps above were originally written to describe the planning process for computer software (Aaron, Bratta, and Smith, 1993). There seem to be as many different planning sequences and steps as there are authors writing about planning. Almost all of them, regardless of the number of steps, meet the same criteria if they are meant to guide a project to a successful conclusion. The final plan must have the elements described in the previous section of this chapter.

(Jr. 79-84)

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