

Project Concept and Budget

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Abstract: As the largest donor, The European Union has invested over 610 million in grants in our country, and this paper analyzes the importance of proper conception and project budgeting. The importance of drafting a good concept is pointed out, because it is the first point of contact of the one who evaluates the project proposal, and based on it, to a large extent, forms an opinion about it. A good concept is a prerequisite for a successful project, its implementation and sustainability. We also analyze that the basis for a good budget is obtained after collecting data on the prices of products or services that we plan to use during the project implementation. This is particularly important given that unrealistic costing is one of the leading reasons for rejecting project proposals. In the final part of the paper, we explain why we should be guided by the idea that long-term and successful donor relationships are based solely on truthfulness and trust, and that losing trust means losing reputation, which no serious applicant wants.

Key words: project, analysis, concept, design, budget

JEL code: A1

1. Introduction

The main goal of financing projects from the European Union funds is the development goals of Montenegro and therefore of the European Union. Receiving grants, that is, accepting the offered project proposal, means that a new service has been created and that there are results that will be achieved with that project.

Bearing in mind the importance of the need for European Union support programs, we conclude that the need to strengthen and train personnel for writing and implementing projects is no less important. Only in this way will we be able to write the project properly, create a good concept and distribute the donated funds purposefully, which will contribute to the development of our country in the long term, which is the primary goal of donations.

2. Project Concept

A project arises as an idea to turn a certain product, service or result into something deliverable. Therefore, the project is not an end in itself, but is started for some reason, because of some business idea and the need for its realization. When creating a project, one of the basic tasks is to create a good concept. “The concept should represent a concise and clear description of the project and cover the objectives, description of needs, activities, results, target groups and end users, in accordance with the instructions specified in the application form.” (EUIC, 2016, p. 19).

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The concept allows us to achieve the planned goals in the planned time with exactly by certain means. The basic functions of the concept are observed in the following model (Figure 1):

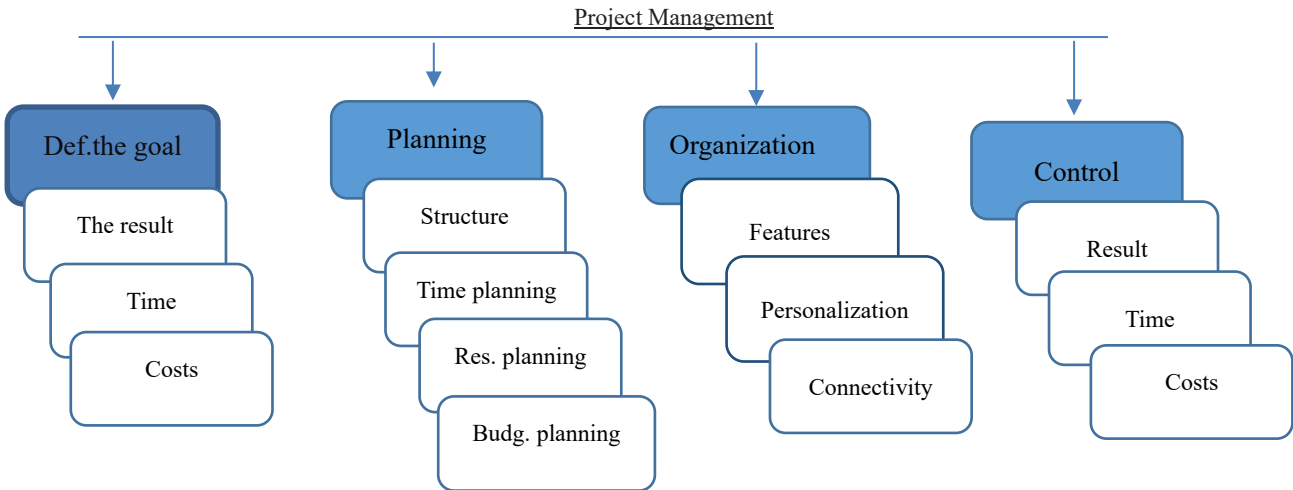


Figure 1 General Project Management Model¹

The key to successful project management according to goals lies in the triple limitation, namely: project scope, time and costs. We achieve the quality of the project precisely by balancing these three factors, because a change in one will result in a change in the other two factors. Project implementation planning includes the following stages: time and cost planning for project implementation, resource planning and leveling.

Here we must highlight the importance of the Gantt chart. “Gantt chart is a type of chart that is used to monitor the realization of the project by stages, in such a way that we can see when each stage starts, how long it lasts and when it ends. It does not exist as a standard chart, but it needs to be created, which is done by modifying the bar chart (Bar Chart).”²

An example of a Gantt chart is shown in Figure 2.

Task Name	Q1 2019			Q2 2019		Q3 2019
	Jan 19	Feb 19	Mar 19	Apr 19	Jun 19	Jul 19
Planning		■	■			
Research		■	■			
Design			■	■		
Implementation				■	■	■
Follow up						■

Figure 2 Gantt Chart³

¹ Available online at: <http://www.link-http/elearning.com>, accessed on 01.12.2021.

² Available online at: <http://excelk.com/sr/izrada-gantograma>, accessed on 14.03.2022.

³ Available online at: <https://www.productplan.com/glossary/gantt-chart>, accessed on 06.07.2022.

A Gantt chart helps us determine who is responsible for each planned activity, how long it will take, and any problems we may encounter.

By resources, we mean the necessary material, equipment, as well as financial resources, profiling the necessary workers for specific jobs. Resource leveling is important because we optimize the use of resources with the aim of achieving the plan in the shortest period and with the lowest costs.

When we talk about cost planning, we emphasize that the calculation needs to be done by activity and include the assessment of direct and indirect costs.

Based on them, the budget is formed, which will be discussed more in the next chapter. The control of project implementation takes place constantly, and in this way we check whether the project is on in the field takes place in accordance with the planned dynamics. When all phases are completed, the project will be closed and the analysis will be used to improve future projects.

3. Project Budget

The project budget includes the necessary funds for its implementation and we deal with it at the very end of this process. After planning the following costs:

- Direct, which are related to the immediate execution of activities
- Indirect, which are not directly related to the execution of activities, but represent costs that are necessary for the realization of the project, and make up 5% of the total costs
- Unforeseen expenses and expenses caused by some change
- Risk of inflation, especially in investment projects

Based on all the mentioned costs, the budget is formed. It is very important to carefully study the guidelines and model contract in order to find out which expenses are allowed and which are not allowed.

$$CV = BCWP - ACWP \text{ (Fakultet organizacionih nauka, 2002, p. 4)}$$

The cost variance shows whether the costs are within the planned budget, whether they are higher or lower than what was planned.

- if $CV = 0$, then the costs were realized according to the planned plan;
- if $CV < 0$, then a cost overrun has occurred;
- if $CV > 0$, then costs are lower than planned.

In which (Fakultet organizacionih nauka, 2002, p. 4):

CV- cost variance

BCWP — planned costs of work performed

BCWS — planned costs of planned work

Table 1 shows an example of allocation of funds.

Cash flow is important in order to know and plan how many expenses await us on a daily, weekly or quarterly level. "Project budgeting resembles general ledger budgeting, but is faster and simpler to set up. Many options in general ledger budgeting, such as number sequences or currencies, do not need to be set separately for projects."⁴

⁴ Available online at: <https://www.docs.microsoft.com/sr-latn-rs/answers/products/>, accessed on 01.02.2021.

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Table 1 Business Budget Template⁵

SUMMARY	JANUARY			FEBRUARY			MARCH		
	Actual	Predicted	Difference	Actual	Predicted	Difference	Actual	Predicted	Difference
Total Income	195,000	180,000	15,000	155,000	150,000	5,000	172,000	170,000	2,000
Total Expense	150,000	160,000	10,000	140,000	130,000	-10,000	140,000	150,000	10,000
PROFIT/LOSS	45000			15,000			32,000		
(Income - Expense)									
Income Breakup									
Sales	105,000	100,000	5,000	85,000	90,000	-5,000	130,000	125,000	5,000
Rental Income	40,000	35,000	5,000	30,000	25,000	5,000	25,000	20,000	5,000
Referral Fees Income	10,000	8,000	2,000	20,000	18,000	2,000	5,000	4,000	1,000
Interest Income Earned	5,000	5,000	0	5,000	5,000	0	5,000	5,000	0
Income from Hedging	35,000	5,000	30,000	15,000	10,000	5,000	7,000	5,000	2,000
Total Income	195,000			155,000			172,000		
Expense Breakup									
Salaries Paid	15,000	15,000	0	15,000	15,000	0	15,000	15,000	0
Advertising Expense	10,000	8,000	-2,000	9,000	7,000	-2,000	11,000	13,000	2,000
Rent Paid	20,000	20,000	0	20,000	20,000	0	20,000	20,000	0
Commission Paid	8,000	10,000	2,000	15,000	10,000	-5,000	16,000	20,000	4,000
Travelling Expense	20,000	15,000	-5,000	22,000	20,000	-2,000	25,000	30,000	5,000
Repairs	15,000	20,000	5,000	12,000	15,000	3,000	18,000	25,000	7,000
Damages	18,000	10,000	-8,000	25,000	20,000	-5,000	20,000	22,000	2,000
Material Charges	44,000	50,000	6,000	22,000	20,000	-2,000	15,000	20,000	5,000
Total Expense	150,000			140,000			140,000		

4. Conclusion

Identifying donors and investors as well as writing projects are processes that should be constantly improved and perfected. It is very important to invest in personnel and their knowledge through various educations and seminars. Once we receive funds, it does not mean that we will always receive them, especially if we do not adapt our goals to the interests and needs of donors.

It is always necessary to define the connection between our project and the donor. That's why, when writing grants, we shouldn't be tempted to exaggerate because it doesn't pay off in the long run. An insufficiently and vaguely written concept is also something that repels a future investor. Cooperation should be based on trust, mutual respect and preservation of reputation because this is the only way that will enable us to do successful and long-term business.

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