



HvA International Business School
Amsterdam University of Applied Sciences

Manual

Treasury Management Project

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Mike van Roosmalen

a.m.m.van.roosmalen@hva.nl

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1. Module overview

This manual gives you an overview of the Treasury Management Project (TMP) module. More detailed information can be found on the TMP site at mijnhva.nl.

Content

The management of cash flows is an important ifor many companies. Good treasury management saves cash and can earn extra benefits. Great savings in management and bank costs can be achieved by centralising cash flows - millions of Euros a year for large multinationals.

In the TMP module the students use an ERP system to work in the field of Treasury Management. In this module the ERP system used, SAP ERP , is not a goal in itself, but provides a means of experiencing the many aspects of both financial accounting and treasury management. The focus is on all aspects that are relevant for the management of cash flows. Tendering, winning orders, purchasing, invoicing, payments and receipts, and reacting to liquidity shortages / surpluses – all in different currencies – generate the problems that every treasurer has to deal with.

In groups of maximum four, students are responsible for the cash positions and treasury management of a (virtual) consultancy company, DDS. They are also responsible for the financial accounting processes in order to supply treasury management with complete, useful and timely information.

A basic knowledge of financial accounting is a prerequisite for participating in the project.

In the Treasury Management Project students obtain operational knowledge of and skills in financial management and financial accounting, financial markets, the use of financial instruments and derivatives in treasury management, and in the application of SAP ERP.

Specific learning objectives are that at the end of the TMP, students will have applied the following competences:

- Independently collecting relevant information
- Making a financial ratio-analysis
- Making an Investment analysis
- Determining foreign exchange rate exposure of imports from and exports to non-euro-countries
- Hedging the forex exposure using currency forwards, swaps and options and natural hedging
- Managing cash (short term funding/investing) in multiple currencies
- Managing receivables and payables
- Determining the cost-of-capital of exceeding credit terms;
- Analysing interest rate exposure
- Making a liquidity planning, cash flow-analysis, pro forma balance sheets and income statements,
- Hedging interest rate risk using FRAs, FLOORs, CAPs, COLLARs, long term bond futures and interest rate swaps.
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Study materials & recommended further reading

Required study materials:

Study books					
Title	Author(s)	Publisher	Year	Edition	ISBN
n/a					

Other study materials		
Title	Author(s)	Where to find this material?
TMP Assignments	M. van Roosmalen F. Boumans	Handed out during class and uploaded onb TMP site at mijnhva.nl

Recommended study materials:

Study books					
Title	Author(s)	Publisher	Year	Edition	ISBN
International Financial Management	Madura and Fox	South Western		any	

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Other study materials		
Title	Author(s)	Where to find this material?
Treasury management articles	any	internet

2. Set-up of the module

As the module is set up as a project, you are continuously assessed. Therefore, attendance and active participation are mandatory. A maximum of **two class misses** is allowed.

Attendance is recorded as well as being present on time.

The learning objectives will be realized as follows:

During class hours you will be introduced to weekly assignments that reflect the daily operations of a department that is responsible for both financial accounting and treasury management within a small consultancy firm.

You are part of a group of max. four students that can freely organize themselves as a department.

A common division of tasks is:

- financial accounting in SAP ERP
- cash management and liquidity forecast
- treasury management with focus on foreign exchange management
- coordination in order to secure deadlines are met and accounting and treasury management are aligned in a consistent way.

A regular class meeting of 3 class hours (150 minutes) looks like this:

- central kick off where the new assignment is introduced and explained.
- short theoretical explanation when necessary.
- demonstration in SAP ERP when necessary.
- working on the assignment.

Because of the central kick off it is required to be present at the beginning of the class.

It is possible to do part of the assignment outside class hours as long as the deadlines are met and the accounting in SAP ERP is up to date.

If this is the case, the lecturer might allow you to leave before the official end of the class.

Assignments

As the project is around simulating the daily work of a department, every week a new assignment is presented.

The assignment might contain a new task or requirement. However, there are assignments that are to be performed on a more continuous basis like:

- recording the financial events, first in Excel and later in SAP ERP;
- updating the liquidity forecast in Excel and later in SAP ERP;
- perform research and prepare decisions in the area of cash and treasury management;
- writing memos on the decisions prepared and taken.

The continuous assignments reflect the division of tasks. You can appoint an individual group member to be responsible for a specific assignment. However, you are as a group responsible for the performance and quality of the assignments.

Examples of possible assignments that have to be performed on an ad hoc basis:

- writing a quotation
- writing a proposal for investing excess cash.

The assignments have to be finished in time. Your group is invited to hand in their memos before the presented deadline while all financial events need to be recorded in time in order to have up to date reports for decision making and analysis.

The project is concluded by the final assignment: writing a final report and delivering a presentation.

Tests

There are no tests for this module.

Grading and assessment

Final grade is settled in between a 1,0 and 10,0.

The student has passed the TMP project when the grade is 5,5 or higher.

The student receives no grade if more than 2 class misses are recorded.

Initially, the group work is graded. However, the student is individually assessed and as a result the individual grade might deviate from the grade for the group.

The grade of the group work is initially based on the final report that has to be handed in before the end of the project (end of lecture week 12). In order to make sure to create a report of sufficient quality, the group has to write and hand in memos/short reports during the project. The group will receive feedback on the memos/short reports and this feedback must be used to improve the quality of the (final) report.

In order to have the final report graded, the group needs to deliver also a presentation on the findings in the report.

The initial grade of the report is affected negatively if:

- deadlines for handing in memos and performing assignments are not met;
- the accounting work in SAP ERP is not complete and/or contains grave errors.
- the liquidity forecast in SAP ERP is not complete and/or contains grave errors.

On request, the final grading will be explained to you during the review session.
(see class schedule).

Resit

The Treasury Management Project includes continuous feedback on the student's performance and offers ample opportunities to every student to improve his/her performance. Therefore, the student has resit opportunities on a continuous basis.

If the final grade is not sufficient, the individual members of the groups have the opportunity to improve their work. For this purpose a repair session is scheduled.

Improvements must be performed and implemented before the end of this repair session.
(see class schedule)

Tentative Class Schedule

Class	Date	Topics
1	Friday Sep 8	-Introduction TMP module -Introduction DDS case -Start assignment 1
2	Friday Sep 15	-Assignment 1
3	Friday Sep 22	-Deadline Assignment 1 -Assignment 2
4	Friday Sep 29	-Deadline Assignment 2 -Assignment 3 Part 1
5	Friday Oct 6	-Deadline Assignment 3 Part 1 -Assignment 3 Part 2
6	Friday Oct 20	-Deadline Assignment 3 Part 2 -Assignment 4
7	Friday Nov 3	-Deadline Assignment 4 -Assignment 5
8	Friday Nov 17	-Deadline Assignemt 5 -Assignment 6
9	Friday Nov 24	-Deadline Assignment 6 -Assignment 7
10	Friday Dec 1	--Deadline Assignment 7 -Assignment 8 (this is the assignment for the final report and presentation)
11	Friday Dec 8	-Assignment 8 -Presentations (first round)
12	Friday Dec 15	- Deadline Assignment 8 Presentations (second round)
13	Friday Dec 22	-No class/Travelling for Christmas Holiday
14	Friday Jan 12	-Repair session
15	Friday Jan 19	-Review session

3. Introduction to the DDS consultancy firm

As a business student, in this module you will act within the department of DDS Management Consultancy that is responsible for both financial accounting and treasury management.

DDS is a small but growing consultancy firm in the field of corporate finance, and treasury management.

The three founders of DDS some years ago started their own consultancy firm. In July of this year, the company was turned into a Dutch “Besloten Vennootschap” (BV, a type of limited partnership with non-tradable shares). Also, DDS is taken over by a big conglomerate of firms specialized in treasury consulting.

The fixed staff of DDS consists of the three founders of the company, who both work as senior consultants, plus a full time secretary.

Next to this, there is a department that is responsible for financial accounting and treasury management.

This semester, in groups of approx. four, you will be responsible for the **treasury management, financial accounting** and **financial management** of the company and act as a department.

DDS’s consultancy is mainly done by external consultants hired on a contract basis for specific jobs.

Although consultancy jobs are done on the spot, a small office is rented in the Amsterdam World Trade Centre, where the secretary guards the phone and there is a small conference room that can also be used for training sessions. For the time being the office is hired, including office equipment like furniture and computers. The question if buying an own office is cheaper than renting in the WTC, pops up every now and then, leading to a capital budgeting and financing analysis.

Even though DDS is small and young, it has an outstanding reputation. The customers are a limited number of large corporations and a few small companies inside and outside Euroland. Depending on the kind of consultancy or training contracts offered, DDS applies different fees: jobs requiring high skills and experience obviously cost more than simple jobs. The hours implied in contracts for implementations and training always surpass the company’s capacity of the staff of three.

Through a limited number of agencies DDS hires consultants with the specific knowledge needed for the job and of different levels, from expensive senior consultants to cheap trainees. Thus, in essence, **DDS is purchasing** (from vendors) **and selling** (to customers) **consultancy hours**, on both sides at differentiated rates.

As DDS is not the only consultancy company, it sometimes has to tender for contracts. The contracts DDS gets, generally take between a week and a couple of months to finish.

At present, vendors (=accounts payable), customers (=accounts receivable) and banks are:

Vendors	Locations	Account number
Andersen Consulting	New York (NY) USA	Anders
Inter Europe	London UK	Inter
Schenk Information Consultants	Amsterdam NL	Schenk
Customers		
BAS Management Consultants	Lelystad NL	Bas
DIJK Information Technology	Putten NL	Dijk
Compaq	Nashua (NH, USA)	Compaq
Enramp Treasury	Dallas (TX) USA	Enramp
Mikon Investment Bank	Osaka JP	Mikon
Banks		
Rabobank	Amsterdam	P
ING	Amsterdam	B

DDS' financial situation

The founders of the company put it in the legal form of a Dutch BV, issuing stocks to its three owners. Beside this equity capital, to finance DDS' activities short term bank credit is used. As shown in the table above, DDS has two house banks: ING and Rabobank.

DDS's revenue and cost structure is simple:

- Revenues are based on contract hours x hourly fee(s).
- The hourly fee is a commercial all in-fee, including direct consultants rates (differentiated according to the type and complexity of the job) and expected travel expenses, plus a mark-up for overhead and a profit margin. These all-in fees are applied to all consultancy jobs, whether performed by DDS-partners or by hired consultants.
- Costs: the fees paid to external consultants are variable costs; the partner's salaries (€ 30.000 per month) and the office overhead (€ 5000+3000 per month) are considered fixed costs.
- Revenues from consultancy fees received and cost from paying outside consultants may be in euros or foreign currencies.
- Interest and foreign exchange results depend on the markets **and** the required active treasury management.
Treasury results are posted separately.

Although DDS is a small company with no materials and logistic management and just a simple financial structure, accounting will be done in SAP ERP as of August 1, 2017.

This has been decided at conglomerate level in order to realize standard accounting procedures, working with the same operational chart of accounts in order to have uniform financial reporting.

In August 2017 the roll-out and implementation of SAP ERP started. First the Financial Accounting (FI) module will be customized. In the coming month part of the cash management and treasury application will become available.

However, due to some technical set backs the SAP ERP is not available yet. Accounting and reporting will continue to be performed in Excel.

The Chart of Accounts INT is the new operational Chart of Accounts and as of August 1, 2017 will be used for DDS' financial accounting system. The present version is printed below, with the most commonly used accounts in **bold**:

40000	TR10	Common stock
40100	TR10	Capital reserves
40200	TR10	Other reserves & retained earnings
40300	TR10	Earnings before taxes current year
80100	TR10	Loans from credit institutions, remaining life >5y
113400	TR10	Rabobank EUR
113401	TR10	Rabobank Deposit
113405	TR10	Rabobank waiting account
113500	TR10	ING EUR
113501	TR10	ING USD
113502	TR10	ING GBP
113503	TR10	ING JPY
113504	TR10	ING BRL account
113505	TR10	ING waiting account
113506	TR10	ING CAD
113603	TR10	Forex clearing account
140000	TR10	Accounts receivable – domestic
141000	TR10	Accounts receivable – foreign
142000	TR10	Interest accruals
154000	TR10	Input tax
160000	TR10	Accounts payable-domestic
161000	TR10	Accounts payable-foreign
170000	TR10	Advanced customer payments
175000	TR10	Output tax
230000	TR10	Foreign currency revaluation losses
276000	TR10	Discount received
280000	TR10	Foreign currency revaluation gains
400100	TR10	Purchased services – domestic
400101	TR10	Purchase services – foreign
400110	TR10	Wages
400120	TR10	Rental charges
400130	TR10	Service charges
400140	TR10	General & administrative costs
400180	TR10	Interest expenses
800000	TR10	Sales revenues – domestic
800100	TR10	Sales revenues – foreign
880000	TR10	Customer discounts given

On request by DDS, the conglomerate will create new accounts within the Chart of Accounts DDS.