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EXECUTIVE SUMMARY

Scope

Post completion reviews are about learning in organizations.

A post completion review is a process aimed at assessing, *ex post*, the efficiency and effectiveness of a capital budgeting decision and of the management of its implementation. It is based on a comparison between planned and actual actions, costs and resource usage, results and benefits. It encompasses the review of all assumptions about markets, technology, personnel, environment, competition, cost of capital, etc. that were made during the decision-making period. It focuses both on the prior assumptions and on the actual outcome. It is one of the ongoing continuous processes through which the organization learns and improves.

A post completion review asks the questions: Why? and How? For instance, why has the project been successful? Why has the project been unsuccessful? Why have problems arisen during the decision and implementation process? Why have no problems been encountered? How did we really do this? How did our suppliers get the information? How did we communicate with the “customer”? How can we ensure that the lessons learned in this project are not forgotten in the future?

The post completion review process is based on an integrated and systematic program of data accumulation and analysis that is defined prior to the implementation of the decision.

Purpose

The purpose of a post completion review is threefold:

1) To support continuous improvement in the capital investment and implementation process. This process is oriented towards the future.

2) To allow for the identification and implementation of corrective actions on the project under review or in similar projects. This is an opportunity to review not only the current cash flows of a project at the date of review, but also to review the updated future cash flows of that project.

3) To allow for the review of current procedures and the design of better ones to improve future decisions, to guarantee better implementation and better conformance.

The term “project” refers to all investments (resource allocation) of significant size decided and implemented by an enterprise in order to shape its future. All projects are considered to be the result of a capital budgeting decision. In this document the term project covers investments in tangible or intangible assets such as acquisitions of existing business entities, information systems technology, new machinery, plant facilities or equipment, process or product development as well as investments in identifiable research programs or investments in developing a market share in a current or new market or transfers of production to a different site. Projects in such difficult-to-evaluate projects as human resource development, marketing or basic research could be included in this list, and they should be when factual measures of outcome can be identified.
Types of Post Completion Reviews

A project comprises three distinct time phases that may overlap:

a) The assessment phase is the period during which the capital decision is prepared and made (this aspect is covered in the International Management Accounting Practice Statement n°2, *The Capital Expenditure Decision*).

b) The investment phase defines the period during which the resources are invested (this aspect is covered in the International Management Accounting Practice Statement n°4, *Management Control of Projects*).

c) The outcome period defines the period of time during which the benefits are derived from the original investment. If the project was assessed using a form of breakeven analysis (such as discounted cash flow or internal rate of return), the breakeven period would be considered to be the outcome period.

Generally, the post completion review is carried out during the outcome period; however, a post completion review may be carried out immediately at the end of the investment period to review the implementation process. For projects of long duration, for which the investment period and the outcome period may overlap significantly, an interim review is possible and recommended.

Steps to a Post Completion Review

A post completion review involves:

- Reviewing all the assumptions that were formulated during the assessment period, and the process that led to their formulation; special attention should be given to the process that led to the definition of the cost of capital used in the decision process;

- Comparing the actual resources consumed by the project with the forecasts made at the assessment period;

- Comparing the actual outcome or performance of the project with the forecasts made at the assessment stage;

- Reviewing the procedures used to obtain an effective and efficient project control process; and,

- Reviewing conformance with company policy, particularly in respect of the proper authorization levels.

A successful post completion review requires the development of a data gathering process that will be operational from the first moment of the initial capital budgeting analysis. This systematic collection of detailed information about the reasoning behind decisions is critical to the success of the post completion review and thus to the learning within the organization.
Composition of the Post Completion Review Team

The carrying out and the exploitation of the post completion review is a management function. It requires the support of the financial function. It is a team effort.

The post completion review should be carried out by a committee composed of persons who are experienced in the firm’s capital expenditure control system and sufficiently familiar with the processes used in assessing technical, financial and marketing aspects of both the implementation of the project and of its outcome. Since the scope of a post completion review extends beyond financial information, the accountant, the internal controller, the management controller or the financial officer serving on a post completion review committee should do so as a manager first, not just as an accountant. The size of the committee is a function of the size of the firm and of the relative size of the project.

The Post Completion Review Is a Positive and Constructive Tool

The post completion review is a positive and forward looking tool. The carrying out of such a review can lead to the identification of individuals who may appear to be responsible for deviations from forecast. The post completion review team should always aim to determine why and how deviations occurred, not who can be blamed for them. Once the original cause has been determined, a key step has been taken toward choosing the appropriate action for the future. The emphasis is to be placed on collecting factual and quantifiable data and information, not on second guessing the decision makers who made decisions during the various phases of the project.

The post completion review is not geared to apportioning blame; it is geared at understanding and at generating continuous progress. It is a major component of the strategic development of the firm. The decision to carry out post completion reviews is the expression of a managerial philosophy consistent with the concept of the learning organization.
INTRODUCTION

1. This Statement describes the process and benefits of reviewing capital investments after their implementation. It is distinct from and completes both the capital budgeting decision, covered in International Management Accounting Practice Statement n°2, The Capital Expenditure Decision, and project management covered in International Management Accounting Practice Statement n°4, Management Control of Projects.

2. The term “post completion review” is equivalent to other terms used in the literature such as post completion audit, post completion appraisal, investment post audit, post appraisal of investment decisions, post project appraisal. All these terms are generally equivalent and differ only in nuances.

3. Although this Statement can be seen to be aimed at large organizations, its message is pertinent to firms of all sizes. The procedures described below must be adapted, in keeping with the spirit of the text, to fit the needs and resources of each firm.

SECTION I—SCOPE AND PURPOSE OF POST COMPLETION REVIEWS

4. The main purpose of a post completion review is to contribute to the learning of the organization. It is one of the procedures and practices that help create the “learning organization.” It is a managerial philosophy anchored in rigorous policies and procedures. The post completion review of project decisions is one of the components of the management practice of systematically monitoring and providing feedback on the performance of past actions in planning or implementation.

5. A post completion review is a process aimed at assessing, ex post, the efficiency and effectiveness of a capital budgeting decision and of the management of its implementation. It is based on a comparison between planned and actual actions, costs and resource usage, results and benefits. It encompasses the review of all assumptions about markets, technology, personnel, environment, competition, cost of capital, etc. that were made during the decision-making period. It focuses both on the prior assumptions (and their development process) and on the actual outcome (and its measurement).

6. The post completion review process is based on an integrated and systematic program that is defined prior to the performance of the review.

7. A post completion review asks the questions: Why? and How? For instance, why has the project been successful? Why has the project been unsuccessful? Why have problems arisen during the decision and implementation process? Why have no problems been encountered? How did we implement this or that decision? How can we ensure that the lessons learned in this project are not forgotten in the future?

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1 The term ex post is used here and later in the text with the meaning of “after the event.”
8. The purpose of a post completion review is threefold:

1) To support continuous improvement in the capital investment and implementation process. This process is oriented towards the future. It is a continuous process built on discrete elements.

2) To allow for the identification and implementation of corrective actions for the project under review or in similar projects. This is an opportunity to review not only the current cash flows of a project at the date of review, but also to review the updated future cash flows of that project.

3) To allow for the review of current procedures and the design of better ones to improve future decisions, to guarantee better implementation and better conformance.

9. The post completion review includes an evaluation of: (a) the quality of procedures for assessing the potential costs and benefits of a project; (b) the quality of the decision-implementation process; (c) the quality of the forecasts of the benefits and costs; and (d) whether or not the expectations about the future and the issues having potential influence over the project were subsequently confirmed and if not, establish the reasons for the deviation observed.

10. The term "project" refers to all investments (resource allocation) of significant size decided upon and implemented by an enterprise. All projects are considered to be the result of a capital budgeting decision. In this document the term project covers investments in tangible or intangible assets such as acquisitions of existing business entities, information systems technology, new machinery, plant facilities or equipment, as well as investments in identifiable research and development programs or investments in developing a market share in a current or new market or transfers of production to a different site. Conceptually, investments in difficult-to-evaluate projects such as human resource development, marketing or basic research should be included whenever objective measures of outcome can be established.

11. A project comprises three distinct time phases that may overlap:

a) The assessment phase is the period during which information to enable the capital decision is assembled and the decision is made.

b) The investment phase defines the period during which the resources are invested.

c) The outcome period defines the period of time during which the benefits are derived from the original investment.

12. Generally, the post completion review is carried out during the outcome period; however, a post completion review may be carried out immediately at the end of the investment period to review the implementation process. For projects of long duration, for which the investment period and the outcome period may overlap significantly, an interim review is possible and recommended.

13. A post completion review involves:
• reviewing all the qualitative and quantitative reasons for the selection of the project;
• reviewing all the assumptions that were formulated during the assessment stage, and the process that led to their formulation;
• reviewing the assumption as regards cost of capital or discount factor applied in the decision process. An independent review and setting of the discount factor is recommended that is undertaken on a regular basis and within one year of the time of assessment of a significant investment project;
• comparing the actual resources consumed by the project with the forecasts made at the assessment stage and determining the contributing reasons for the deviation noted;
• comparing the actual outcome or performance of the project with the forecasts made at the assessment stage and determining the contributing reasons for the deviation noted;
• reviewing the procedures used to obtain an effective and efficient project control process; and
• reviewing conformance with company policy, particularly with respect to authorization levels.

14. A prerequisite for a successful post completion review is that various formal capital expenditure policies and procedures exist, such as:
• documentation of the levels of approval for capital appropriations;
• documentation of the investment analysis process and reporting specifications;
• documentation of the investment decision criteria;
• an approval process for expenditure overruns;
• a policy specifying how and when post completion reviews will be performed;
• documentation of the issues intended to be addressed by the investment and the other choices considered; and
• procedures for accounting and control of capital projects.

15. In some organizations the value of performing post completion reviews lies in the realization that a formal, clear set of capital expenditure policies and procedures have not been developed.

SECTION 2—THE POST COMPLETION REVIEW DECISION

16. The decision to carry out a post completion review is normally made before the project is engaged. Unless an appropriate information system already exists, one must be set up from the beginning to assure that the information needed for a proper review is available as the project progresses.
The Benefits of a Post Completion Review

17. Most enterprises can benefit from a formal system of post completion reviews. The degree of formality and of complexity of the system is a function of the size of the organization. Generally, post completion reviews are performed on types of projects or parts of projects that are likely to be repeated in the future. However, much can be learned from the review of unique projects.

18. Post completion reviews should be a normal part of management. A review should be carried-out regularly on all significant capital investment projects and on all decisions affecting the strategy or the future of the business. Even organizations which do not undertake new projects on a regular basis benefit from carrying-out a post completion review as they gain a valuable understanding of their decision making process.

19. The post completion review is an organizational learning process.

20. Specific benefits of a review include:

• Reinforcement of the link between the past and the future in the mode of thinking of managers. The actual implementation of the project is a sunk cost at the date of review. The decisions, based on an analysis of the past, will focus on the remaining future outcome of the project and on future projects.

• Allowing an assessment of the quality of forecasts and of the forecasting process of decision parameters. The review requires that the decision process be carried out in an explicit manner following, for example, the Capital Budgeting Decision International Management Accounting Practice Statement n°2. The post completion review compares the actual results achieved with the environmental, social, labor, market, technical, financial, cost and cash forecasts and schedules upon which the original decision was made. The analysis of the identified deviations will improve the understanding of the underlying causal model and thus will improve current and future decision making.

• Ensuring that capital expenditure procedures are understood and followed.

• Reviewing the appropriateness of the sensitivity analysis of the key variables in the capital budgeting decision process and specifically of the contingency reserves and allowances.

• Improving the management control of projects. The post completion review focuses on the reasons for the existence of problems and guides managers to correct the cause of the problems for other projects.

• Serving as a basis for the identification of the need for and the implementation of corrective actions. The post completion review may accelerate the decision to interrupt or significantly re-orient a project through the timely identification of (a) unforecasted and unalterable deviations in specifications or (b) environmental changes which are detrimental to the remaining future outcome of the project.

• Identifying the causes of significant deviations. The post completion review provides explanations for the over/under performance of a given
project in terms of internal and external factors. The reasons provided may help to achieve more successful or positive results in the implementation of future projects.

Choice of the Projects to Review

21. Post completion reviews are expensive both in terms of the cost of the information system that is required to support the reviews as well as the cost of carrying out the review itself. However, the benefits of an improved decision-making process, that can be expected to result, will apply to all future decision-making and may be substantial in value to the enterprise.

22. Care should be given to the choice of the projects that will be reviewed. The criteria used in the cost benefit decision to implement or reject the completion review are specific to each firm and may differ depending on the importance, the purpose and the nature of the project. Three categories of criteria are:
   • significant projects;
   • nature of the objectives of the project; and
   • nature of the project.

Significant Projects

23. An organization can chose to define a project as significant on the basis of any or all of the following criteria:
   • strategic scope—any project that significantly affects the strategic direction of the enterprise;
   • financial scope of the project compared to the size of the enterprise—in this respect, each firm should establish a threshold, an amount beyond which the post completion review will automatically be performed;
   • approximate duration of the project—beyond a certain time horizon the cash flow from the project may be deemed uncertain because of potential changes in environmental conditions. It will therefore be interesting to know whether such changes have been correctly identified and whether management’s response has been adequate;
   • the risks involved in the project—risk of failure, risk of liability, risk of take-over, increased business risk due to entering a new field, a new market or a new product, political risk, etc.; and
   • the requirement to use new techniques of forecasting or planning for the project decision, or the requirement of estimation and forecasting of new domains (such as societal issues) never before considered by the firm.

Nature of the Objectives of the Project

24. The very nature of the objectives of a project may be sufficient to justify a post completion review. Innovative and/or strategic projects should be reviewed systematically, regardless of the amounts involved.
25. Projects which are neither significant, nor especially exemplary in terms of the nature of their objective often constitute a large part of the capital budgeting activities of a firm. Such “small” projects may be reviewed on a statistical basis so as to ensure organizational learning.

26. Projects concerning solely the routine and recurring business of the enterprise should be reviewed only if another of the criteria listed above and below applies.

Nature of the Project

27. Recurring/Non-recurring projects. Some projects, or some parts of projects, are likely to be of a recurring nature. A post completion review represents a key source of information for the decision and control of similar projects in the future. On the other hand, projects not likely to recur normally can be rejected if they add nothing useful to the organization’s collective memory. However, even in such cases, the post completion review process can allow the managers an opportunity to better understand their current way of managing and thus help clarify objectives and aspirations.

28. Exemplary projects. Successful, failed or rejected projects. Such projects can, by definition, only be known after the fact. We assume here that the organization had adopted the philosophy that all projects can potentially be submitted to a review and is organized accordingly. The question is thus only to choose, ex post, which project(s) to review.

• From a continuous improvement point of view projects which have achieved outstanding results should be singled out for review. Their post completion review may identify some of the reasons for success such as a favorable environment or some aspects of the decision and implementation process.

• A post completion review should also be undertaken when all or parts of the project have not been performed as expected: for example, when operational problems arise (especially if these are due to the delegation system) or when a significant rise in costs has been identified or when underlying parameters have shifted significantly, even though their effect on costs and benefits might only take place in the distant future.

• Some of the rejected projects should be revisited on the basis of ex post information so as to confirm that the ex ante analysis that led to their rejection had been performed accurately and properly. Much organizational learning can take place from the analysis of such rejected projects, once what used to be the future is now the present or the past.

29. Projects most likely to provide learning. A cost/benefit analysis should be used in deciding whether or not a post completion review should be performed. Since a post completion review is costly, it should only be undertaken when its benefits are expected to outweigh the costs. However, the benefits of learning and of continuous improvement are often difficult to evaluate while the costs attached to carrying out the review are often quite

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2 The term *ex ante* is used here and later in the text with the meaning of “before the event.”
clear and visible. A business, whether large or small, always benefits from a post completion review and the carrying out of such reviews is a matter of principle. The frequency and scope of the review will be determined by management.

30. **Projects containing recurring steps.** A project may be unique, but some of its components may be of a recurring nature or exist in other contexts. The post completion review might allow the creation of a body of knowledge about the business process of these steps leading to some relative standardization and thus cost savings.

**Allocation of Post Completion Review Costs**

31. In some instances the costs of a post completion review may represent a significant percentage of the costs of the investment in projects. In any case, the benefits derived from carrying out a post completion review far outweigh these costs and add long term value to the organization. The major cost of a review process lies in the design and operation of the information system that will support the review. The design of the information system is critical as it will condition the availability of factual information and thus the possibility of carrying out the post completion review.

32. Post completion review costs are strategic costs incurred for the benefit of the whole enterprise and should not be attached to any specific project.

33. Although it might be tempting, in a spirit of traceability to attach the cost of carrying-out post completion reviews to those projects reviewed, it must be borne in mind that the beneficiaries of the reviews and thus of these costs are essentially future projects. The fact that a sample of projects is specifically chosen for review for the purpose of learning emphasizes the lack of logic in allocating the cost of the reviews to such projects.

**SECTION 3—THE POST COMPLETION REVIEW COMMITTEE**

34. The post completion review is a management function. It requires the support of the financial function.

35. The post completion review should be carried out by a committee composed of persons who are experienced in or familiar with the firm’s capital expenditure control system and sufficiently knowledgeable of the processes used in assessing technical, financial and marketing aspects of both the implementation of the project and of its outcome. Since the scope of a post completion review extends beyond financial information, the accountant, internal auditor or financial officer serving on a post completion review committee should do so as a manager first, not just as an accountant.

36. In small organizations or for small projects, the post completion review can be carried out by one individual. Such an individual, most likely a senior manager, should not have been significantly involved in the project choice or implementation.
Key Conditions for a Successful Committee

37. A successful post completion review requires that:
   • some of the persons who have been involved in the decision and implementation processes will participate in the committee work for their own as well as for organizational learning;
   • the post completion review committee includes independent analysts and managers;
   • the members of the committee, or at least its senior members, have the appropriate level of authority to have access to the required information. The post completion review committee is not necessarily a permanent committee. Its composition may vary with each project so as to gain the most from the learning experience;
   • management supports the committee and provides it with the required resources;
   • individual responsibilities of the committee members are clearly specified. In some cases designing a procedures manual will be useful;
   • committee members must understand the enterprise’s strategy, operations, context and environment;
   • committee members must be provided with the opportunity to communicate and cooperate with the personnel in all functions and departments. They may also be authorized to seek assistance from consultants or outside agencies; and
   • the experience of previous post completion reviews must be made available to the committee.

Composition of the Post Completion Review Committee

38. Supervision of the post completion review committee should, in principle, be assigned to a senior manager. The actual composition of the committee will be a function of many circumstantial variables specific to each firm. The next few paragraphs provide some guiding principles for the selection of the committee members.

39. Even though non-financial parameters will be reviewed, the synthesis of all that information is financial. The management accountant or financial officer on the committee, thus, plays an important role in structuring the findings of the committee.

40. In certain situations where the review of the technical or marketing aspects of the project is particularly difficult or critical, the lead role will best be filled by someone with the necessary skills and experience. In this case the management accountant or management controller will work closely with the lead person.

41. In all cases the management accountant will have a leading role in the review of the actions taken to insure adherence to the company policies and procedures. The internal audit department should be represented on the committee to ensure that it meets internal auditing standards. Accountants
and auditors should not represent the core of the committee. The Chief Internal Auditor should always be represented on the committee or be kept informed of its progress to eliminate the need for subsequent audits that might duplicate the post completion review. The presence of operational executives on the committee is crucial to ensure that the findings of the committee are credible to all on the senior management team.

42. The success of a post completion review rests on complete and adequate records. For this reason the committee is appointed before the project is undertaken, and one person, generally a management accountant or management controller, should be made responsible for designing and supervising the operation of the information system required to supply information to the post completion review file. An illustration of a post completion documentation program is provided in Appendix 1 to this Statement.

SECTION 4—THE METHODOLOGY OF POST COMPLETION REVIEW

When Must the Review Be Carried Out?

43. The financial impact of capital expenditure of an enterprise is generally felt over several years. It is first a cash outflow (the investment phase of the project) and later becomes, after completion, a series of cash outflows and cash inflows (the outcome phase). Thus there are two types of post completion reviews:

• An “investment” post completion review or “post investment” review takes place immediately after the completion of the investment. Its purpose is to focus (1) on how the project was carried out, (2) on a comparison between forecasted and actual expenditures, and (3) on a comparison between forecasted and actual nominal project capabilities.

• An “outcome” post-completion review can take place at any time during the life of the outcome of the project. Its purpose is to focus on a comparison between the forecasted and actual outcomes, between the assumptions and the actuals.

44. The date of the “outcome” post completion review is set at the beginning of the project. It is defined as the date at which the project is expected to have reached a steady state of outcome.

45. Multiple post completion reviews on a single project may be justified only where the assessment stage has established that the project’s economic performance is liable to change considerably over time or where the project’s estimated useful life is critically important.

Steps in the Implementation of a Post Completion Review

46. The post completion review is strategic in scope and orientation since it should emphasize lessons for the future. Giving too much attention to near-term financial aspects may distort the objective of the post completion review.
47. A post completion review should provide an overview of the way in which the capital expenditure decision-making process can be improved. It should provide an opportunity for management to assess their understanding of the impact of various key variables on decision making and on implementation.

48. There are three components of the post completion review, whether it is a post investment review or an outcome review:
   • the decision review (dealing with the assessment process);
   • the planning and budgeting assumptions and process review; and
   • the performance review (dealing with the implementation and above all, with the outcome).

49. The review should ensure that the stated objectives are achieved (effectiveness criterion) and that resources were judiciously employed (efficiency criterion). The post completion review should indicate whether the results achieved are consistent with those which were expected. If not, the reasons for any variances should be analyzed. An example of a post completion review check list is given as Appendix 2 to this Statement.

50. An explanation is also expected when actual results are consistent with the forecasts. Post completion reviews do not only apply to projects in which something has gone wrong. They also cover highly successful projects or aspects thereof.

Post Completion Reviews Are Positive and Constructive

51. Although the post completion review is essentially a positive and constructive tool aimed at enhancing learning, its process can lead to the identification of individuals responsible for deviations from forecast. The post completion review team should always focus its attention on why and how deviations occurred, not on who can be blamed for them. Once the original cause has been determined, a key step has been taken toward solving the problem. The emphasis is to be placed on collecting factual and quantifiable data and information, not on second guessing the decision makers involved in the various phases of the project.

52. The post completion review is geared at understanding and at generating continuous progress.

53. An illustrative example of a post completion review is provided as Appendix 3 to this Statement.
FACTORS RELATED TO DOCUMENTATION
SUPPORTING A POST COMPLETION REVIEW

A program must be put in place as soon as the project is conceived in order to collect information even though the final assessment may be carried out only at the end of the project.

All key decisions must be documented. Decision reports must be prepared in a coherent format in order to be useful to the post completion review. Decisions about the funding of the project are independent of the decision process regarding its economic or strategic interest. The post completion review may include a review of the actual implementation of the funding process but such review should be kept separate from that of operational implementation and of strategic decision making.

All parameters likely to influence the project should be identified at each step of the decision process. They should be updated throughout the life of the project both in terms of their value and state. The original and the updated values and state of all parameters are collected in the post completion review file.

All project management reports describing how the different phases were carried out are to be retained in the project post completion review file.

The post completion review team must specifically address the question of the adequacy of the data gathering process and procedures: content, timing, quality, scope, etc.

Information Contained in the Post Completion Review File

Decision Phase

• The proposal file.

• The approval decision.

• The funding information.

Planning Phase

• A statement of the scope and purpose of the project.

• A statement of the original subdivision of the project into a given number of activities and the criteria used to determine this subdivision. Responsibility for implementation and resource requirements should also be included.

• An estimate of the time required to carry out each activity and the method used to determine this estimate.
• The timing of the various activities and the reasons why this timing method was chosen over alternative solutions.

• The time interval between each pair of activities.

• The critical path determined.

• The documentation related to the activities selected for subcontracting.

*Operations Control*

• The detailed flow of the assessment and reporting system used for actual and acquired values.

• Information related to purchase orders.

• The qualifications, training and experience of all staff involved.

• The dates when values were determined, possibly updated and reported.

• The position of the individuals responsible for determining the values and those for whom the values were prepared.

• The procedures used to verify and monitor data capture.

• The list of source documents, i.e., those used to make calculations and those to be found only in the field (on the construction site, for example).

• The means used to inform potential subcontractors of assessment techniques.

• Procedures relating to direct materials (supply, receiving, storage, delivery to site).

• Standard procedures for accounts payable (receiving invoices, checking quantities and prices, approvals).

• Time sheets (establishing origin, checking and remitting).

• Information on the progress of activity groups.

• Changes in authorization procedures and the scope of any such changes.

• Distribution of budgeted hours per activity.

• Facts related to errors which were detected too late.

• A list of staff members originating corrective action.

• For each alternative contemplated regarding possible ways of realization of the project, a list of the variables and parameters involved.

• The range of tools and actions available to act upon the variables to be corrected.
Overview of the Information

• Inclusion of all published background information, reports (market, technology, fiscal, legal, social, financial, etc.) with a view to determining how relevant they are.

• Supplemental information concerning the assessment techniques used in each report when these were not clearly identified.

• Cost, completion and financial management reports indicating the original plan in addition to the progress of the project in relation to the various forecasts.

• Description of frequency of reporting and origin of reports.

• Executive summary for the decision makers.

How to Report

A post completion review report should clearly indicate what was expected, when the project was initiated, and what actually occurred. It provides a summary of the lessons drawn from the decision, planning and performance audits and also examines the project’s operations in relation to the overall strategy of the firm. The report’s major objective is to identify lessons for the future.

After reviewing the post completion review report, management should be aware of the following:

• whether options have been considered in accordance with each stage of the project;

• whether the sensitivity of the various options to alternative environmental assumptions has been tested;

• whether problems have been encountered with a major section or with individual data;

• whether the project was implemented in accordance with original or revised plans;

• whether the project has delivered the benefits expected originally or subsequently; and

• the extent to which the success or failure of the project was due to the internal management and/or planning of the project and/or to environmental changes.

The results of individual post completion reviews will be submitted to the management group responsible for the project. In addition, post completion review reports should be presented to senior management at regular intervals. In many cases this review function will be the responsibility of a management committee which may be also responsible for the review of project proposals. Combining project review considerations with new project proposals should foster a direct link with the lessons drawn from past experience.
Appendix 2

EXAMPLE OF A POST COMPLETION REVIEW CHECK LIST

This example is geared to a relatively large organization. A smaller organization would have to adapt this list to fit its needs and resources while keeping the spirit of the original.

Questions Related to Decision-Making:

• How was the project selected?
• Who conducted the assessment?
• How were the data selected for this assessment?
• Was a risk analysis carried out that outlined the range of possible outcomes? If yes, how and why?
• What information was analyzed in arriving at the decision? Could the decision have been different if more information had been provided for the assessment?
• Has the project’s strategic role within the company been clearly and formally presented?
• If there was no overall strategy at the time of the assessment, was a strategy worked out subsequently and, if yes, was the project consistent with it?
• Were the anticipated strategic benefits achieved, exceeded or not achieved? What are the major factors contributing to the actual results?
• Do the procedures provide the assessment system with the requisite level of information to pass judgment on project proposals?
• Is such a level of detail required for all capital expenditures?

Questions on Planning and Budgeting:

Planning:

• Was the purpose of the project clearly identified?
• Were responsibilities for planning clearly established?
• Was a cost accounting and classification system designed appropriate to the project’s methods for budgeting, assessing, analyzing and reporting costs?
• Was an implementation plan established for specific activities with predetermined resource constraints?
• Were contingency plans identified?
Budgeting:

- Have the most effective budgeting methods been used on the basis of available information?
- Was information on unit resource costs taken from reliable sources?
- Were forecasted inflation rates based on realistic assumptions?
- Were the reserves for contingencies determined after careful consideration?
- Were changes in scope correctly treated and approved?
- Was information on actual expenditure available on a timely basis?
- Was a performance review system put in place for internal services, operations and equipment?
- Were progress reports available on a timely basis?

Questions Related to Performance and Outcome:

Analysis:

- Was the project used for the purpose specified and are the objectives being met?
- Have significant variances always been analyzed according to the same criteria? Given the available information, have the reasons for cost and scheduling variances always been analyzed and interpreted and have these reasons led to actions?
- Has data analysis been done early enough to contribute to the formulation of a corrective action plan?

Control:

- Have major changes to the implementation strategy been based on a careful review of options?
- Have the individuals in charge taken prompt control measures?
- Have the funds allocated to the project been administered so as to minimize the cost of funding?
- Did cost and completion date estimates fully take into account performance variances and the consequences of corrective actions?

Information:

- Were appropriate information parameters used (contents, presentation, scope, level of detail and frequency of reports)?
- Were reports submitted on time and was information presented consistently from period to period?
- Did the reports submitted to senior executives present, concisely and precisely, information in compliance with cost and performance estimates?
- Did the reports help the individuals in charge to make their decisions?
A CASE ILLUSTRATION

The ACME Corporation case example is provided only as an illustration and should not be considered to be either a “perfect” case nor an exhaustive case. It is a real case in which the data have been disguised and simplified to guide the user in understanding how to implement Post Completion Review Techniques.

The post completion report is composed of the following documents:

- Excerpts from the Corporate Financial Manual
- Post Completion Executive Summary (October 1992)
- Post Completion Review (October 1992)
  - Summary Evaluation.
  - Background.
  - Project Description.
  - Actual Results.
  - Actual Financial Benefits.
  - Project Evaluation.
  - Conclusion.
- Audit Report (November 6, 1992)

ACME Corporation
Excerpts from the Finance Manual
Post Completion Review Section

PURPOSE

To establish a standard method to compare the actual costs, results and benefits of selected capital projects with the stated targets contained in the final approved Appropriation Request. The tracking of post-completion evaluations will serve to improve the planning, evaluation and implementation of future capital projects.

APPLICATION

Applies to ACME Corporation, its divisions and all subsidiaries.

POLICY

1. Projects\(^3\) over FF 10 million total cost will be subject to post-completion review by the Capital Projects Review Committee (CPR). Projects below

---

\(^3\) Acquisitions whose primary purpose was to acquire facilities in lieu of constructing our own and market development projects are, for the purposes of this policy, included within the definition of capital projects.
this level may be selected for review at the Committee’s discretion. The Committee may waive the post-completion review requirement on any project.

2. For projects of less than FF 1 million, the sponsoring unit may establish its own criteria for internal post-completion reviews.

3. The time-frame for post completion reviews will be established in accordance with the time schedule contained in the final approved Appropriation Request or A-R (excluding supplemental requests) as follows:

   A. For projects supported by financial payback, the post-completion review will be performed within the calendar year following the attainment of either:
      • the midpoint of the expected payback period, or
      • the completion of two years of operation; whichever comes first.

   B. For projects not so supported, the post-completion review will be performed within the calendar year following the completion of one and a half years of operation.

RESPONSIBILITIES

Divisions

Annually, by September 30, Divisions will prepare a list of projects scheduled for post-completion review during the forthcoming year and submit to the Director, ACME Capital Planning and Economic Analysis.

ACME Capital Planning and Economic Analysis Unit

Will prepare a consolidated listing of projects scheduled for post-completion review during the forthcoming year and arrange for CPR’s review in October.

Subsequent to this review, will notify the affected units of the annual requirements and establish an appropriate time schedule for submission of post-completion reviews.

Division

Will prepare the required post-completion reviews including an operational review addressing significant financial as well as physical, technical, and market-parameter variances from anticipated targets and actions taken to alter or change existing conditions. Upon obtaining required divisional approvals, i.e., Chief Financial Officer and Division Chief Executive Officer, will forward approved post-completion reviews to ACME Capital Planning and Economic Analysis per the established time schedule.

ACME Capital Planning and Economic Analysis

Will coordinate the distribution of reviews for evaluation by CPR.

Will notify the appropriate division after CPR review if additional analysis or comments are required on any presented project.
PREPARATION OF FORMS

Post-Completion Review Form

Use form n° 0278-93, CAPITAL PROJECT POST-COMPLETION REVIEW (Summary Evaluation) to present comparison of projected versus actual/estimated project costs/objectives/benefits. (See below for instructions.)

Additional information may, at the discretion of division management, be presented in a format which best displays the data for a particular business or operation.

For projects supported by financial payback, form n° 2371-93, FINANCIAL EVALUATION, is to be used to supply a detailed financial evaluation indicating actual project costs and operating results, to date, as well as updated operating projections for future time periods.

INSTRUCTION for:
CAPITAL PROJECT POST COMPLETION REVIEW FORM n° 0278-93

This form is used to present the summary comparative financial, technical and market data for the Post-Completion Review (abbreviated PCR) of major capital projects. Where applicable, all financial data should be obtained from form n° 2371-93 (Financial Evaluation) as contained in the various Appropriation Requests and/or the Post-Completion Review work-up.

On projects which were not justified on financial grounds, such as anti-pollution investments, capacity maintenance investment or discretionary investments, only the capital expenditures are to be shown under Project Data, with appropriate commentary on the realization of the project’s objectives included under the Project Analysis/Recommended Corrective Action: Synopsis section.

Project Data:

• Presents a summary comparison between the final approved Appropriation Request and the actual/projected operating results.

• Capital Expenditures. Total cost of investments in fixed assets. Coincides with the final approved Appropriation Request.

• Average Working Capital. The average of year-end working capital requirements through the period covered by the analysis.

• Market and operating technical data: by quarter or by month, whichever is appropriate to show operating efficiency and market penetration compared to competitors.

• Other. The total of other investment components not included above.

Project Analysis/Recommended Corrective Action: Synopsis. All commentaries should be brief and in synopsis form. Include a description of the project and review its current status versus the final Appropriation Request data. Comment on significant factors which have affected either the investment cost, profits, market share or volume, or other objectives of the project since it was authorized, e.g.,
altered start-up costs, change in anticipated yields, different labor or material costs, change in regulations, etc. Discuss any recommended corrective actions that could be taken to counter unfavorable aspects of the project’s performance.

The post-completion review should be geared toward the operational factors relating to the project. Emphasis should be placed on actual project achievements versus the project purpose as stated in the original Appropriation Request, with explanations describing the differences.

ACME Corporation
Widget Division
Post Completion Review of Widget-K Transfer from Orleans Plant to Bari Plant

Executive Summary (October 1992)

Original Approval

• The original appropriation request (approved 3/91) funded the transfer of filling and packaging equipment for Widget-K 15 unit packages and 30 unit packages from Orleans to Bari.

• Capital required (FF 12 million) included compounding equipment, storage tanks and required ancillary equipment as well as necessary building modifications and construction of a storage shed for staging production components.

• It was anticipated that the transfer of Widget-K 15 and 30 would result in an estimated FF 10 million annual tax savings to the Corporation due to the favorable situation of the Mezzogiorno with regards to tax exemption and EEC subsidies and provide an IRR of 81%, with payback in 1.2 years.

Actual/Estimated Results

• The primary objective of the project was met, i.e., the transfer of production of Widget-K from Orleans to Bari, which began 10/91.

• The transfer will result in average annual tax benefits of FF 10 million with an 89% IRR. Payback was generated in 1.3 years.

• This project also enabled Bari to manufacture Mombat-S Widgets and paved the way for the transfer of the manufacturing of Schtrumpf-Z-Widget in 1993 with a lower amount of capital investment.
### Financial Overview (in FF 000)

<table>
<thead>
<tr>
<th></th>
<th>Estimate Per Appropriation Request</th>
<th>Actual Per Post Completion Review</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Requirement</strong></td>
<td>FF 12,000 (see below for details)</td>
<td>FF 11,295 (see below for details)</td>
</tr>
<tr>
<td>Avg. Annual Tax Svgs.(Approx.)</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>IRR</td>
<td>81%</td>
<td>89%</td>
</tr>
<tr>
<td>Payback</td>
<td>1.2 yrs</td>
<td>1.3 yrs</td>
</tr>
<tr>
<td>Tax Basis</td>
<td>50/50 split</td>
<td>50/50 split</td>
</tr>
<tr>
<td>Tax Savings Rate (35%-20%)</td>
<td>15%</td>
<td>15%</td>
</tr>
</tbody>
</table>

#### Comparison of Fixed Assets Requirements (in FF 000)

<table>
<thead>
<tr>
<th></th>
<th>Estimate per Appropriation Request</th>
<th>Actual per Post Completion Review</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land improvement</td>
<td>—</td>
<td>90</td>
<td>(90)</td>
</tr>
<tr>
<td>Building</td>
<td>1,060</td>
<td>1,440</td>
<td>(380)</td>
</tr>
<tr>
<td>Building improvements</td>
<td>1,235</td>
<td>1,160</td>
<td>75</td>
</tr>
<tr>
<td>Building machines and equipment</td>
<td>1,025</td>
<td>910</td>
<td>115</td>
</tr>
<tr>
<td>Machines and equipment</td>
<td>5,795</td>
<td>5,650</td>
<td>145</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>—</td>
<td>50</td>
<td>(50)</td>
</tr>
<tr>
<td>Design and engineering</td>
<td>725</td>
<td>500</td>
<td>225</td>
</tr>
<tr>
<td>Other costs</td>
<td>—</td>
<td>380</td>
<td>(380)</td>
</tr>
<tr>
<td>Freight</td>
<td>60</td>
<td>240</td>
<td>(180)</td>
</tr>
<tr>
<td>Start-up costs</td>
<td>500</td>
<td>875</td>
<td>(375)</td>
</tr>
<tr>
<td>Contingency reserve</td>
<td>1,600</td>
<td>—</td>
<td>1,600</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12,000</td>
<td>11,295</td>
<td>705</td>
</tr>
</tbody>
</table>
ACME Corporation
Widget Division

Post Completion Review of Widget-K Transfer from Orleans Plant to Bari Plant

Summary evaluation (dated: October 1992)

Approved by:
VP Manufacturing: Rodolfo Impemba
Manager Technical Operations: Arthur Roig
Widget Division Manager: Isabella Guglielmini
Widget Division Controller: François Berrichon
Chief Financial Officer, Machine Division, Wilfried Drücker

<table>
<thead>
<tr>
<th>Project Data (in FF 000)</th>
<th>Final Appropriation Request</th>
<th>Post Completion Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditure</td>
<td>12,000</td>
<td>11,295</td>
</tr>
<tr>
<td>Average Working Capital</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>TOTAL INVESTMENT</td>
<td>12,000</td>
<td>11,295</td>
</tr>
<tr>
<td>Return on investment/Internal rate of return</td>
<td>81%</td>
<td>89%</td>
</tr>
<tr>
<td>Payback period</td>
<td>1.2 years</td>
<td>1.3 years</td>
</tr>
<tr>
<td>Date of acceptance</td>
<td>09/91</td>
<td>12/91</td>
</tr>
</tbody>
</table>

In 1989, an evaluation concluded that the transfer of Widget-K 15 and 30 unit production from Orleans to Bari would result in an estimated FF 10 million in tax savings to the corporation due to the different tax rates between France and the Mezzogiorno of Italy. Additionally, production cost would be reduced by approximately FF 500,000 per year due to lower staffing and pay rates in Bari. However, it was anticipated that the labor savings would be offset by additional freight costs to ship the product from Bari and the need to lease additional warehouse space in Bari.

The primary objective of this project was to transfer the existing stuffing and packaging equipment from Orleans to Bari, purchase and install machining and
required ancillary equipment, make the necessary building modifications and
construction to the existing space in the Bari ACME Italia industrial building and
build a storage shed for storing production components.

The major objective of the project was met and production began in October 1990.
The total cost of this project to date is FF 11.295 million, FF 705,000 less than
initially projected. The actual return on the investment is to date 89% and higher
than originally anticipated due primarily to higher tax savings resulting from
increased sales volumes.

**WIDGET-K TRANSFER TO BARI**

**BACKGROUND**

In 1989, an evaluation concluded that the transfer of Widget-K 15 and 30 which was
being produced in France at the Orleans plant could be transferred to the Bari, Italy
site for FF 12 million in capital cost and result in an estimated FF 10 million in
annual tax savings to the Corporation.

The existing stuffing and packaging equipment would be transferred from Orleans to
Bari and the necessary machining and ancillary equipment would be purchased and
installed in the existing space within the Bari ACME Italia industrial building.
Additionally, a storage shed would be constructed on the site for staging production
components.

In addition to the subsidies and tax savings, production of Widget K 15 and 30 in
Bari was expected to provide an estimated FF 10 million annually in subsidies and
tax savings to the Corporation. Additionally, the reduction in product cost from labor
savings, estimated at FF 500,000 per year would be offset by additional freight costs
incurred to ship the

(WP 34)

PRODUCTION OF WIDGET-K 15 AND 30 UNIT PACKAGES IN BARI WAS EXPECTED TO PROVIDE AN ESTIMATED FF 10 MILLION ANNUALLY IN SUBSIDIES AND TAX SAVINGS TO THE CORPORATION. ADDITIONALLY, THE REDUCTION IN PRODUCT COST FROM LABOR SAVINGS, ESTIMATED AT FF 500,000 PER YEAR WOULD BE OFFSET BY ADDITIONAL FREIGHT COSTS INCURRED TO SHIP THE
finished product from southern Italy to the northern European market. The project also anticipated that Bari would need to lease additional warehouse space for storage of finished products.

Funding for the project was provided through one appropriation request approved for FF 12 million in February 1990, with start up projected for September 1990.

ACTUAL RESULTS

The major goal of this project was met and production of Widget-K 15 and 30 unit packages began in October 1990.

The total capital spending to complete the project was FF 11.295 million including FF 875,000 in start-up costs.

During the project, a computerized statistical process control program costing FF 50,000 was implemented to improve productivity and product quality on the Widget-K line and was included in the total project cost. Although this was not specifically identified in the A-R, it was part of the project and a scope change was not required.

Overall, the total project cost was favorable by FF 705,000. However, problems were incurred in the initial start-up which resulted in additional spending of FF 375,000 for temporary help and overtime. Also, because Widget-K production required a second shift, an additional parking area costing FF 90,000 was constructed to accommodate the overflow during the shift change which was not anticipated in the original A-R. Other modifications to build a loading area and install partitions to segregate the production lines for Health and Environment Regulation compliance, were not originally anticipated and resulted in an overrun of FF 305,000 for building and for building improvements. Reductions in the cost of the building air conditioning machinery and equipment (due to the possibility of inexpensive sourcing in Greece as opposed to sourcing in Germany in the original A-R and due to the more favorable rate of exchange drachma to lira versus deutsche mark to lira), and design fees more than offset the unanticipated additional spending.

The actual staff additions, and the equipment transfer occurred as planned.

ACTUAL FINANCIAL BENEFITS

The actual sell through for 1991 from products manufactured at Bari was lower than originally anticipated, resulting from a higher than expected inventory build-up in Orleans prior to the transfer. However, the estimated 1992-1995 sales are higher than anticipated due to a stronger market position.

Labor savings which were anticipated as a result of lower staffing requirements and pay rates did not materialize in 1991 and in the first half of 1992 due to start-up problems. They are, however, anticipated for 1992-1995. Conversely, the incremental/additional freight expenses as originally anticipated did not result due to a later decision to ship directly from Bari to the expedition center in Brussels. Although additional warehouse space was leased, this was due to increased in-line volumes and not driven by Widget-K. Therefore, no additional expense was incurred for this project.
Tax savings are calculated at 15% of the Profit Contribution, based on the difference between French rates and the effective Southern Italy rate based on a 50/50 profit split.

Due to the increase in projected sales and lower capital investment, the actual financial return of this project is 89%. A comparison of the current estimate to the final appropriation request is summarized below:

<table>
<thead>
<tr>
<th>Summary of Comparison of Final Appropriation Request and Current Estimate (in FF 000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Appropriation Request</td>
</tr>
<tr>
<td>Capital Expenditures</td>
</tr>
<tr>
<td>Average Annual Savings After Tax</td>
</tr>
<tr>
<td>Internal Rate of Return</td>
</tr>
<tr>
<td>Payback</td>
</tr>
</tbody>
</table>

An analysis of the estimated tax savings and cash flow is provided in Attachments 1 and 2.

PROJECT EVALUATION
The experiences from this project are well documented and as a result, the following recommendations can be made:

• Future projects should clearly state items and allocations of shared assets.

• Final document presented to CPR should be reviewed by the sponsoring unit in order to assure detailed data is referenced in final write-up.

• Financial assumptions should be documented separately and kept by the finance representative in order to facilitate future reference to these when revisiting the project for post completion purposes.

CONCLUSION
In addition to the significant tax savings realized from the transfer of Widget-K production to Southern Italy, this project has also operationally enabled Bari to manufacture Mombat-S Widgets and paved the way for the transfer of Schtrumpf-Z Widgets in 1993 with a lower amount of capital investment. The Widget-K transfer in itself was successful from both the financial and operational benefits.
P & L ESTIMATE 1991-1995
Widget-K transfer to Bari
Post Completion Review

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>159,465</td>
<td>217,775</td>
<td>224,000</td>
<td>233,000</td>
<td>237,000</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>16,580</td>
<td>25,750</td>
<td>25,850</td>
<td>26,975</td>
<td>27,410</td>
</tr>
<tr>
<td>Gross margin</td>
<td>142,885</td>
<td>192,025</td>
<td>198,150</td>
<td>206,025</td>
<td>209,590</td>
</tr>
<tr>
<td>Promotion</td>
<td>31,255</td>
<td>42,685</td>
<td>43,905</td>
<td>45,670</td>
<td>46,450</td>
</tr>
<tr>
<td>Sales force</td>
<td>11,960</td>
<td>16,335</td>
<td>16,800</td>
<td>17,475</td>
<td>17,775</td>
</tr>
<tr>
<td>Marketing administration</td>
<td>7,975</td>
<td>10,890</td>
<td>11,200</td>
<td>11,650</td>
<td>11,850</td>
</tr>
<tr>
<td>Discounts and freight</td>
<td>6,380</td>
<td>8,710</td>
<td>8,960</td>
<td>9,320</td>
<td>9,480</td>
</tr>
<tr>
<td>General and administrative</td>
<td>7,975</td>
<td>10,890</td>
<td>11,200</td>
<td>11,650</td>
<td>11,850</td>
</tr>
<tr>
<td>Product margin</td>
<td>77,340</td>
<td>102,515</td>
<td>106,085</td>
<td>110,260</td>
<td>112,185</td>
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<tr>
<td>Research allowance</td>
<td>24,720</td>
<td>33,755</td>
<td>34,720</td>
<td>36,115</td>
<td>36,735</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>52,620</td>
<td>68,760</td>
<td>71,365</td>
<td>74,145</td>
<td>75,450</td>
</tr>
<tr>
<td>Tax savings to Corp. at 15% due to transfer</td>
<td>7,893</td>
<td>10,314</td>
<td>10,705</td>
<td>11,122</td>
<td>11,318</td>
</tr>
</tbody>
</table>

Assumptions:

1) Sales are based on actuals for 1991 and on projected sales and costs for 1992 to 1995, based on the Widget Division Operational Plan.

2) Cost of Sales for 1991 based on actual sell through per tax audit and 1992 to 1995 based on Operational Plan based on the forecasted evolution of the sales mix.

3) Other expenses estimated on the basis of a percentage of sales as follows: Promotion: 19.6%; Sales Force: 7.5%; Discounts and Freight: 4%; Marketing and General and Administrative Expenses: 5% each; and, Research allowance at 15.5%.

4) Actual and estimated tax savings based on the difference between the French rate of 35% and the effective southern Italy rate of 20% and based on a transfer price allowing a 50/50 split of profit between France and Italy.
### Incremental Cash Flow Analysis (in FF 000)

#### Widget-K Line Plant Transfer Project

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor savings</td>
<td>0</td>
<td>0</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Start-up cost</td>
<td>–875</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset write-off</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>–7,065</td>
</tr>
<tr>
<td>impact</td>
<td>–175</td>
<td>–115</td>
<td>–139</td>
<td>–39</td>
<td>–39</td>
<td>–1,452</td>
</tr>
<tr>
<td>Taxes @ 20%</td>
<td>–700</td>
<td>–460</td>
<td>–556</td>
<td>–156</td>
<td>–156</td>
<td>–5,808</td>
</tr>
<tr>
<td>After tax operatin</td>
<td>–700</td>
<td>–460</td>
<td>–556</td>
<td>–156</td>
<td>–156</td>
<td>–5,808</td>
</tr>
<tr>
<td>French tax saving</td>
<td>0</td>
<td>7,895</td>
<td>10,315</td>
<td>10,705</td>
<td>11,120</td>
<td>11,320</td>
</tr>
<tr>
<td>Depreciation</td>
<td>575</td>
<td>695</td>
<td>695</td>
<td>695</td>
<td>695</td>
<td>695</td>
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<tr>
<td>add-back</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Write-off add-bac</td>
<td>7,065</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>–8,655</td>
<td>–1,765</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>investment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow</td>
<td>–9,355</td>
<td>6,245</td>
<td>10,454</td>
<td>11,244</td>
<td>11,659</td>
<td>13,272</td>
</tr>
<tr>
<td>Internal rate of return</td>
<td>89.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payback: 1.3 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**

1) Labor savings did not materialize as originally anticipated for 1991 and 1992 and are as expected, per revised action plan for 1993-1995.

2) Additional freight cost as anticipated did not occur based on later decision to ship directly from Bari to Brussels.

3) Depreciation allowance is based on straight line over a 15 year life.

4) Additional warehouse rental expense not incurred as anticipated.
Audit Report n° 92-159

Post Completion Review of Widget-K Transfer from Orleans Plant to Bari Plant

[Memo-dated November 6, 1992]

An audit of the attached Capital Project Post-Completion Review Report relating to the Appropriation Request to transfer manufacturing operations of Widget-K from Orleans, France, to Bari, Italy, was performed by Corporate Internal Audits.

The project was designated by the Capital Projects Review Committee for a Post-Completion Review and requested that Corporate Audits review the report prior to its submission to the Committee.

Corporate Audits did not participate in the preparation of the Post-Completion Report and the supporting financial data.

Our review included the following:

• Determining that the Post-Completion Review Report was completed in accordance with ACME Corporation Finance Policy: “Capital Investment Guidelines-Post-Completion Reviews.”

• Verifying that the financial information included in the Post-Completion Review Report agreed with the information stated in the Appropriation Request.

• Verifying that the total project cost was in agreement with the underlying accounting records.

• Reviewing the explanations included in the Project Analysis for reasonableness.

• Testing the mathematical accuracy of the data provided.

• Verifying that the Post-Completion Review Report relating to the Appropriation Request to transfer the manufacturing operations of Widget-K from France to Southern Italy was properly completed in accordance with ACME Corporation Finance Policy: “Capital Investment Guidelines—Post-Completion Reviews.” The project cost data is reasonably stated and is in agreement with the underlying records.

Signed: Aloysius Van Der Beck