

FINANCIAL MANAGEMENT FOR IT SERVICES



PURPOSE

- Secures the appropriate level of funding to design, develop and deliver services that meet the strategy of the organization.
- Ensures that the service provider does not commit to services that they are not able to provide
- identifies the balance between the cost and quality of service and maintains the balance of supply and demand between the service provider and their customers.



TRIGGERS

- Monthly, quarterly and annual financial reporting cycles
- Audits indicating actions that need to be taken to adjust accounting, budgeting or charging
- Requests for financial information
- Investigation into a new service opportunity
- The introduction of charging for IT services (internal service provider) or the need to determine the price of a service (external service provider).
- A request for change will trigger the need for financial information about the cost of making changes, and the ongoing financial impact of the change.



KEY TERMS

- **BUDGETING** - predicting and controlling the income and expenditure of money within the organization (Budgeting consists of a periodic negotiation cycle to set budgets (usually annual) and the monthly monitoring of the current budgets).
- **ACCOUNTING** - enables the IT organization to account fully for the way its money is spent (particularly the ability to identify costs by customer, by service and by activity).
- **CHARGING** - billing customers for the services supplied to them.



INPUTS

- Policies, standards and practices defined by legislation, regulators and enterprise financial managers
- Generally Accepted Accounting Practices (GAAP) and local variations
- Data sources with financial information (Supplier database, CMS, service portfolio, customer agreement portfolio, application and project portfolio)
- Service portfolio

Financial Management for IT Services

Budgeting

Accounting

Charging

- Service valuation
- Investment analysis
- Compliance

- Budgets
- Financial plans
- Cost models
- Chart of accounts
- Charging policies



OUTPUTS

- Service valuation
- Service investment analysis
- Compliance
- Cost optimization
- Business impact analysis (BIA)
- Planning confidence