

PROJECT COST MANAGEMENT

Project Management – 7th meeting

- Project Cost Management includes the processes involved in planning, estimating, budgeting, financing, funding, managing, and controlling costs so that the project can be completed within the approved budget.
- Process :
 1. Plan Cost Management
 2. Estimate Costs
 3. Determine Budget
 4. Control Costs

What is Project Cost Management?

Overview

Overview of Project Cost Management

Project Cost Management Considerations

Considerations	Processes
Level of accuracy	Rounding off of data to prescribed precision rules
Units of measure	Units of measure to be used
Organizational procedure links	Linking of the WBS to a unique CA
Control thresholds	Allowable deviations before action needs to be taken
Rules of performance measurement	EVM rules
Reporting formats	Format and frequency for various cost reports
Process descriptions	Documentation of each of the three cost management processes

Overview of Project Cost Management

Life Cycle Costs

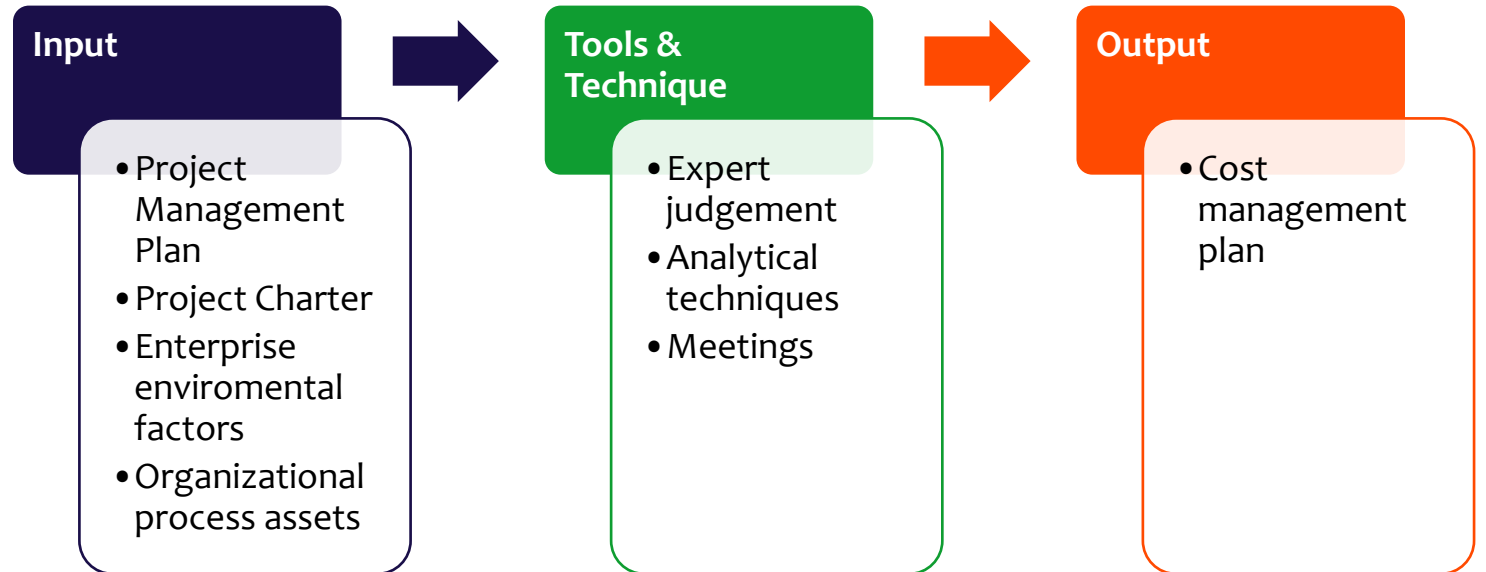
Life cycle costs include project initial cost and the ongoing costs for the life of the project product.

Ongoing costs include:

- People costs to operate the project product
- People costs to maintain the project product
- Utilities
- Materials consumed by the project product
- Insurance costs of the project product
- Other

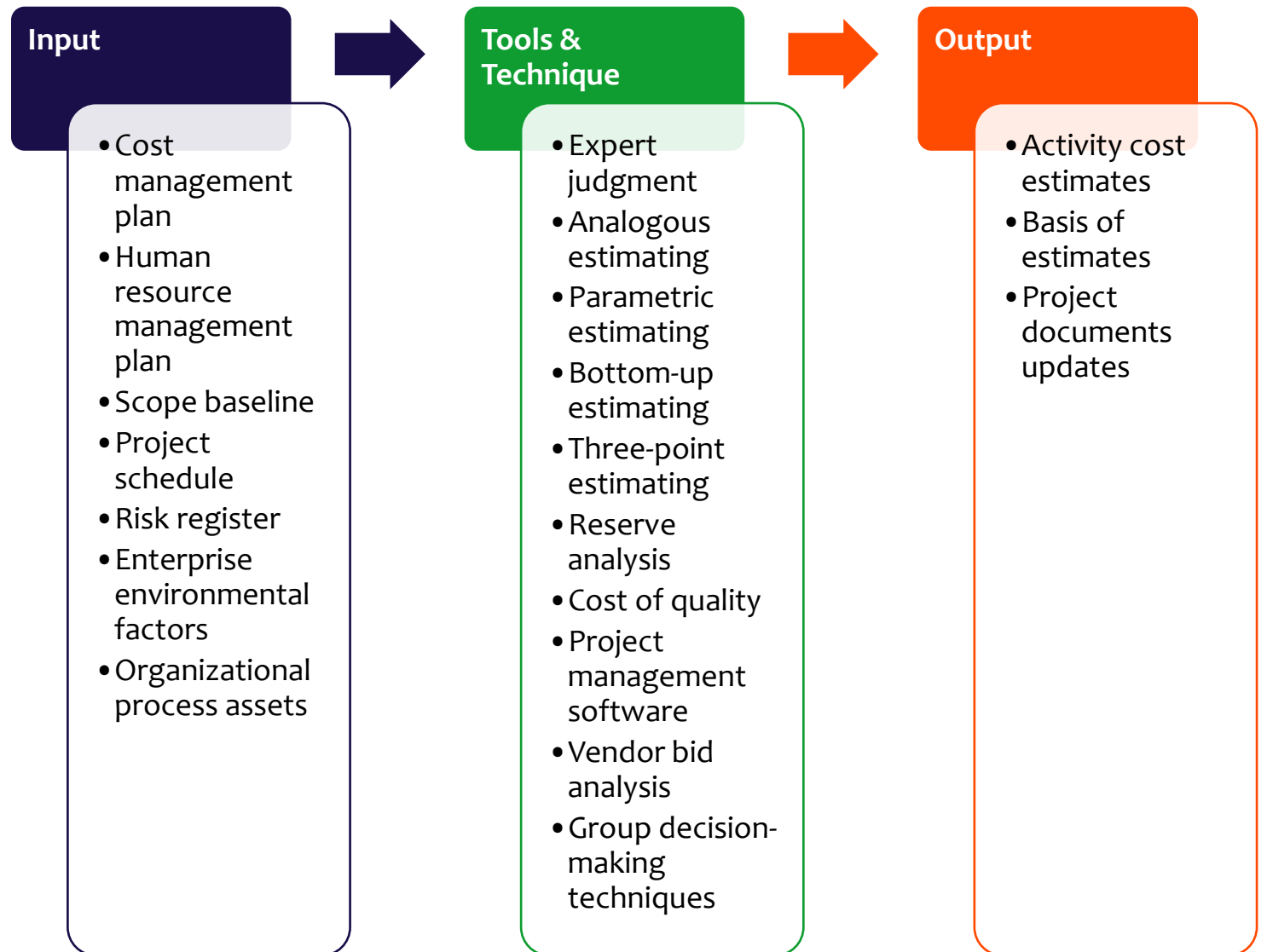
1. Plan Cost Management

Plan Cost Management is the process that establishes the policies, procedures, and documentation for planning, managing, expending, and controlling project costs.



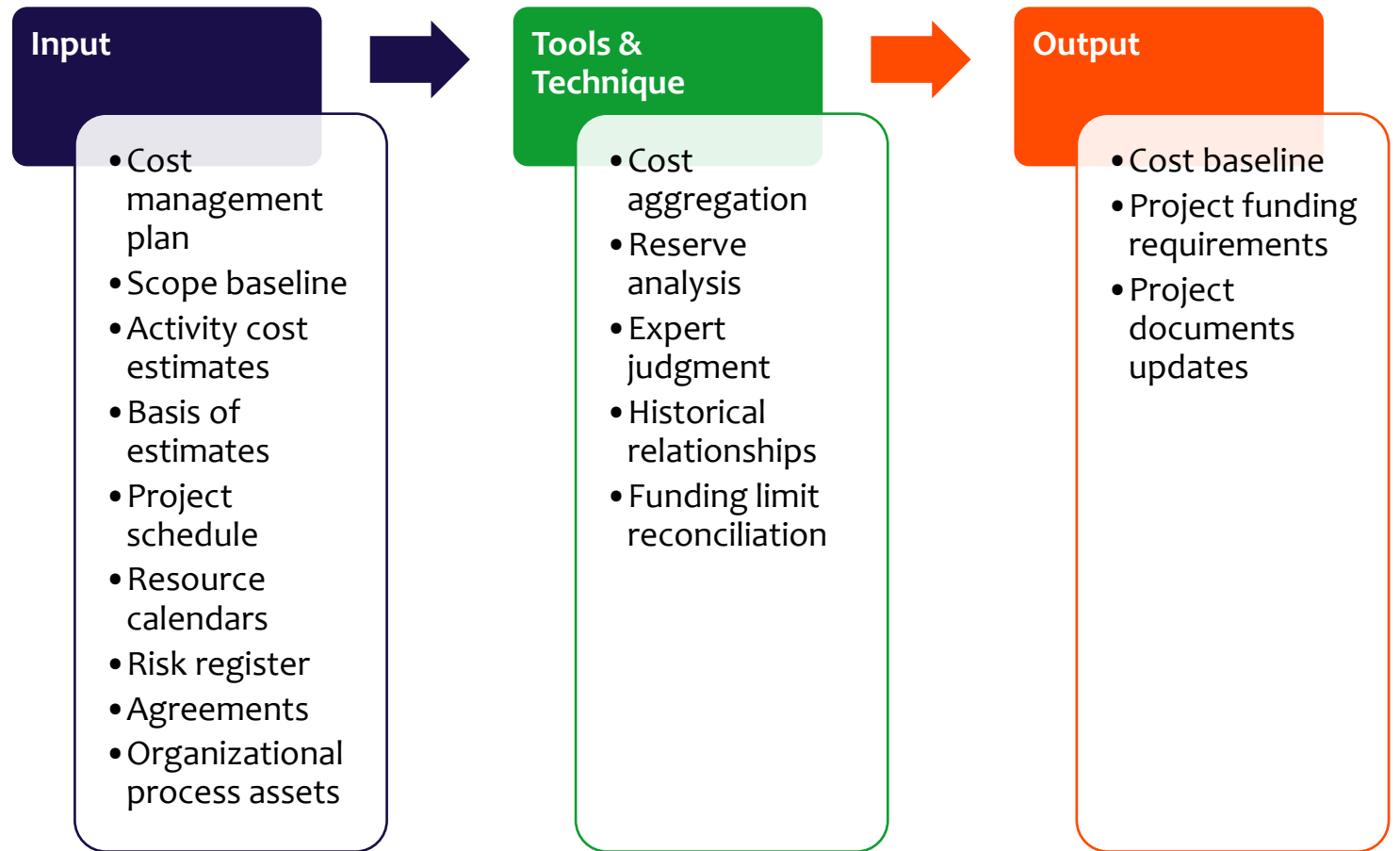
2. Estimate Costs

Estimate Costs is the process of developing an approximation of the monetary resources needed to complete project activities.



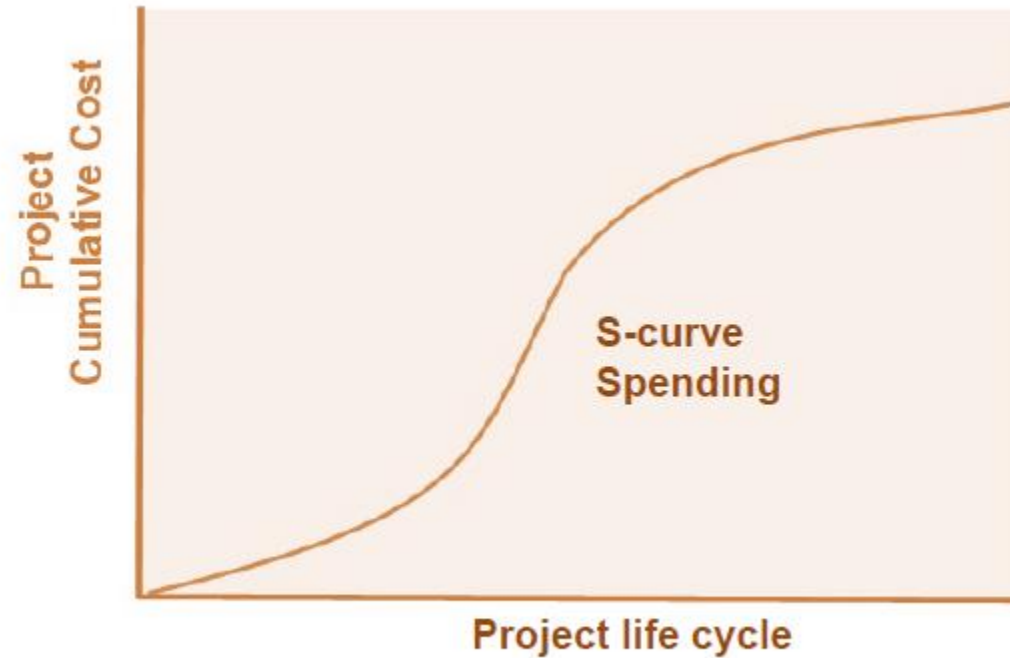
3. Determine Budget

Determine Budget is the process of aggregating the estimated costs of individual activities or work packages to establish an authorized cost baseline.



Determine Budget Process

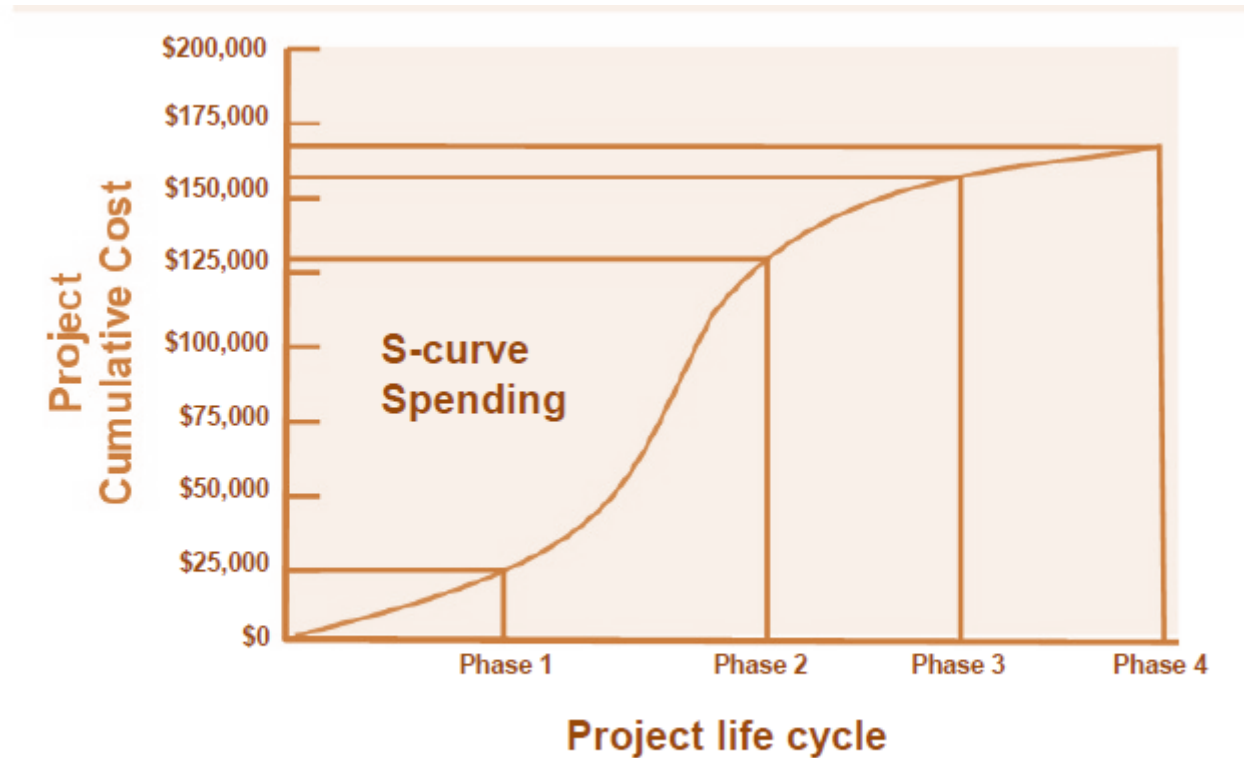
Cost Baseline



* Remember that process groups are iterative.

Outputs

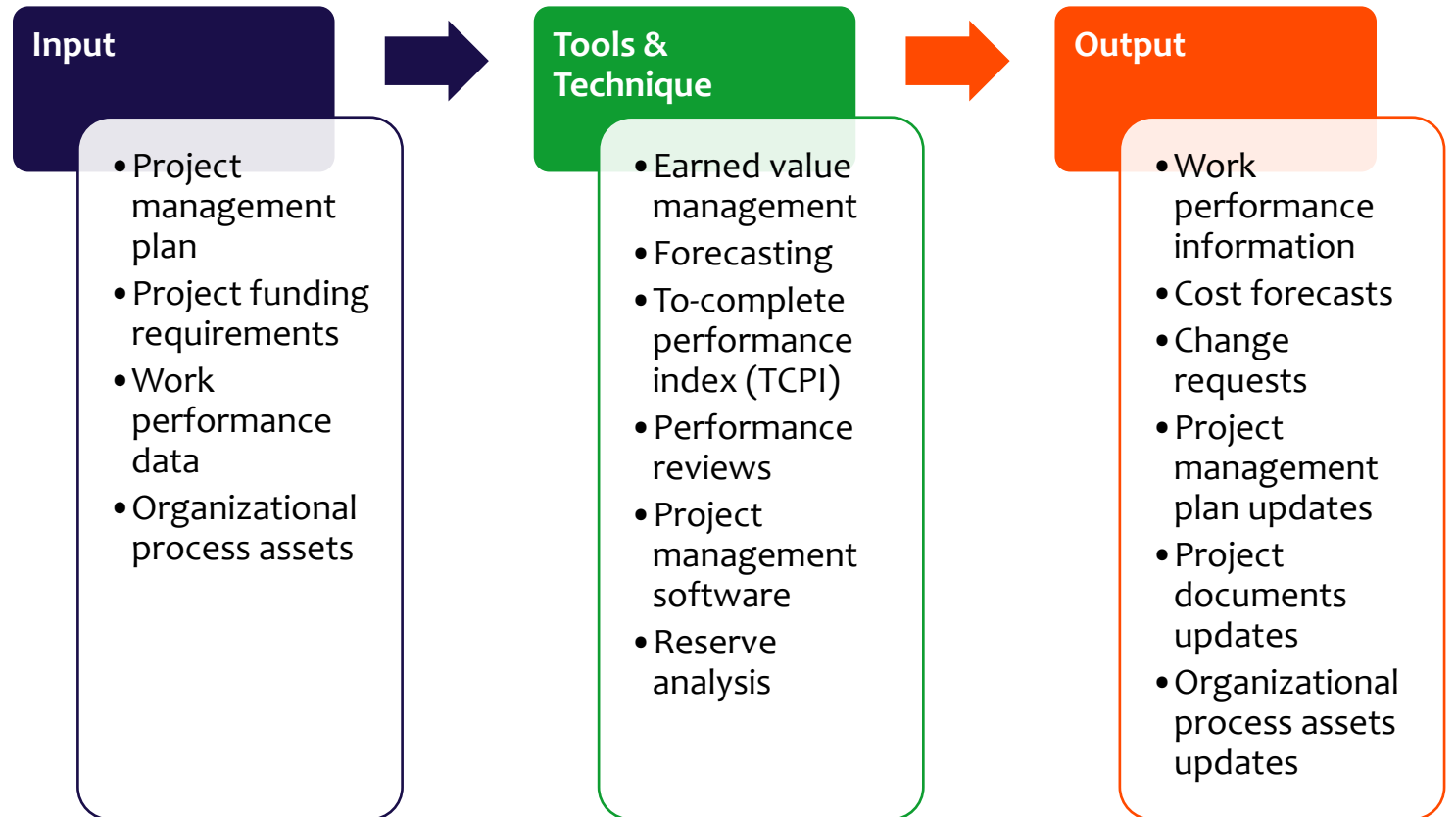
Project Funding Requirements



* Remember that process groups are iterative.

4. Control Costs

Control Costs is the process of monitoring the status of the project to update the project costs and managing changes to the cost baseline.



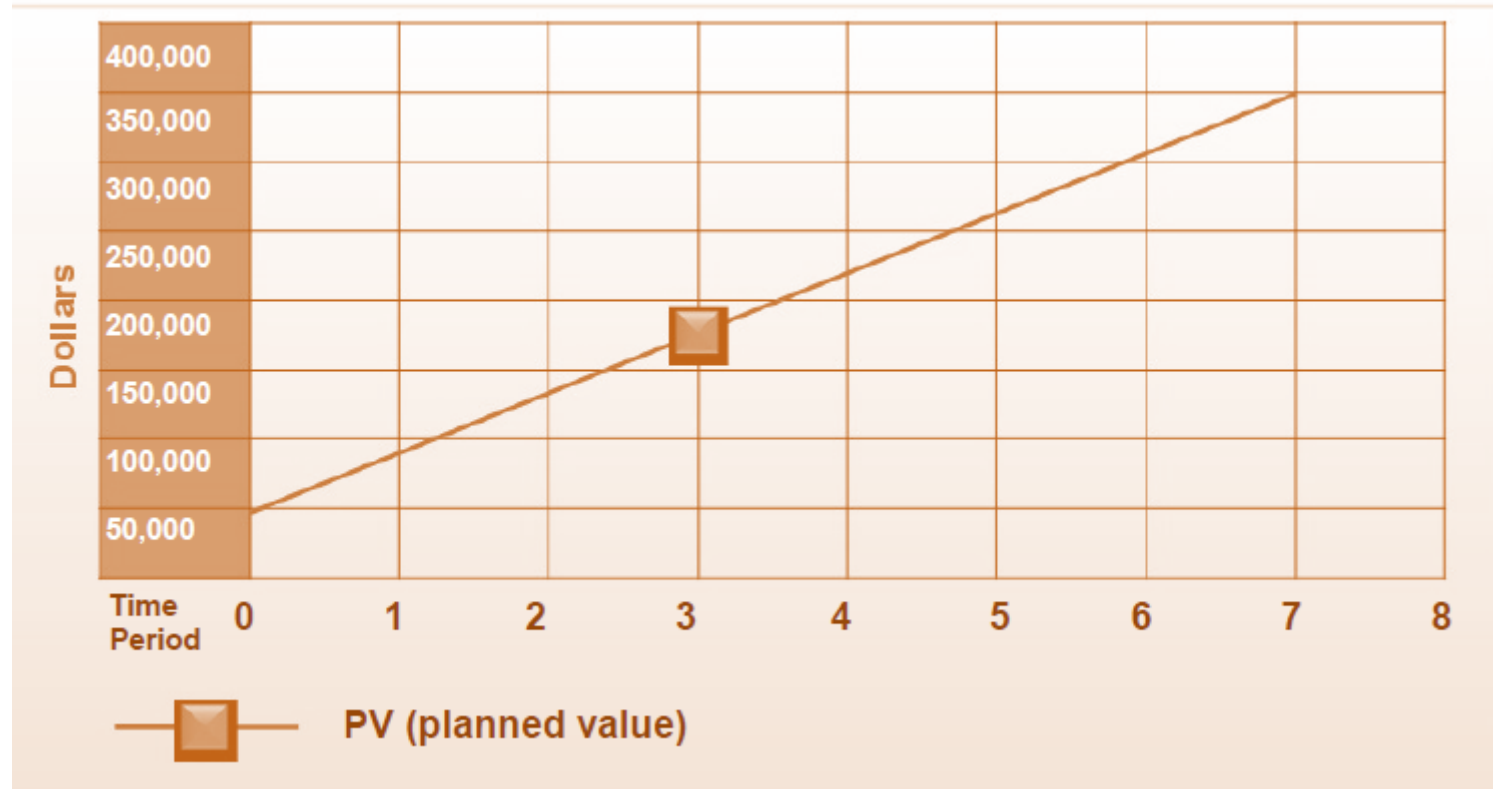
Tools and Techniques

Earned Value Management

Definition	New Name	Old Name
Planned cost of work to be done	PV	BCWS
Value of work actually accomplished	EV	BCWP
Actual Cost	AC	ACWP

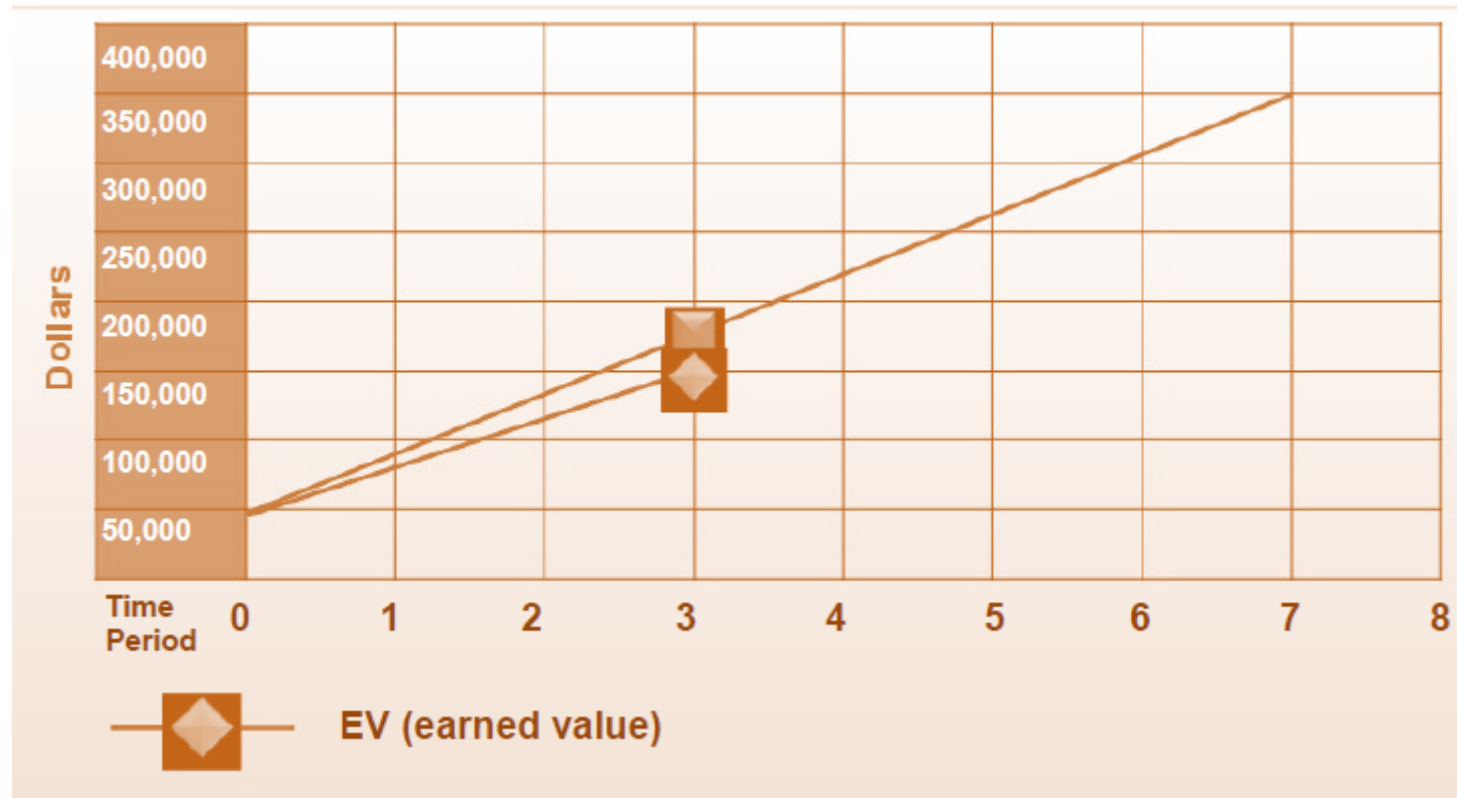
Earned Value Management

Planned Value



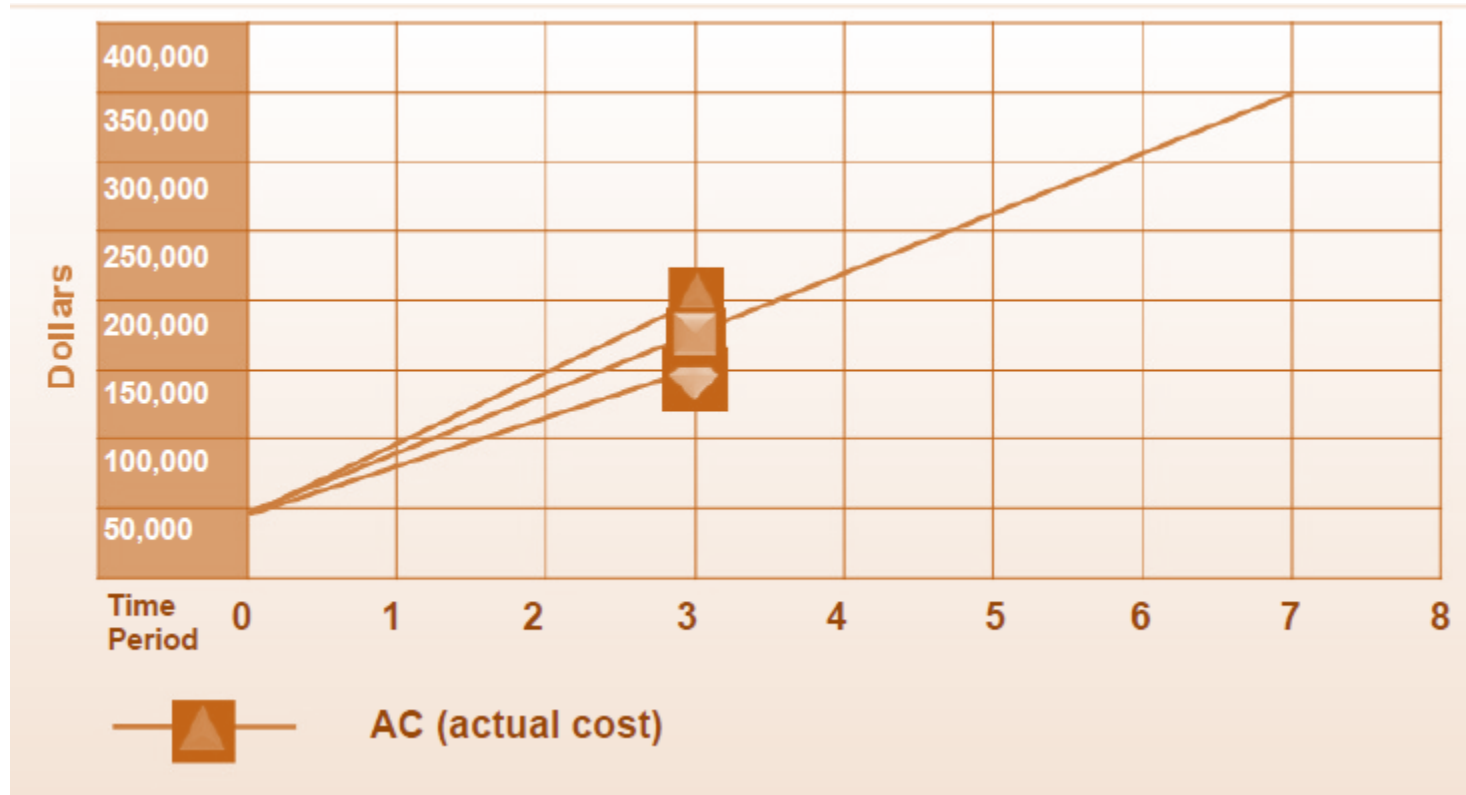
Earned Value Management

Earned Value



Earned Value Management

Actual Cost



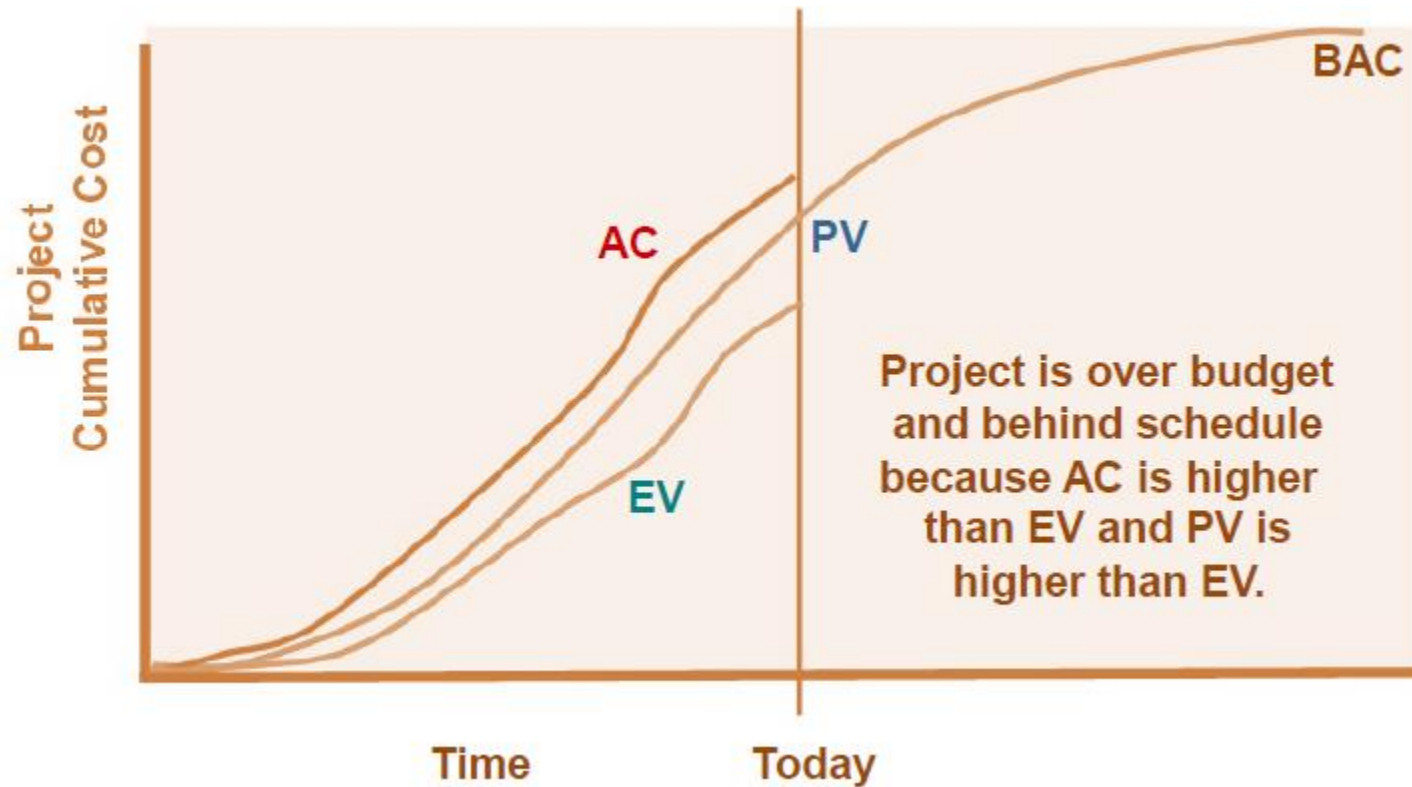
Earned Value Management

Status Formulas

Name	Formula
Schedule variance	$SV = EV - PV$
Schedule performance index	$SPI = \frac{EV}{PV}$
Cost variance	$CV = EV - AC$
Cost performance index	$CPI = \frac{EV}{AC}$
Cumulative cost performance index	$\text{Cumulative CPI} = \frac{\text{Cumulative EV}}{\text{Cumulative AC}}$

Earned Value Management

S-Curve for BAC





Thank You

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