

# (Project Cost and Finance Management)

## 2<sup>nd</sup> Lecture PCFM MSPM- Spring 2015



# WBS-(Work Breakdown Structure)

- **Key to Success:** Take Time to create WBS. It's the key to understand Project and maintaining scope. The Schedule, Scope and Cost all can be deduced from WBS.
- **Define WBS:** It is a deliverable-oriented hierarchical decomposition of the work to be executed by the project team to accomplish the project objectives and create the required deliverables.
- WBS helps to define the scope of the total project and permits summing of subordinate costs for tasks, materials, etc into their successively higher level parent tasks.

# WBS Preparation.

**First** break this down one level to what 'putting on a Rock Concert' will involve,

**1:Marketing,**

**3:Event management**

**2:Venue preparation,**

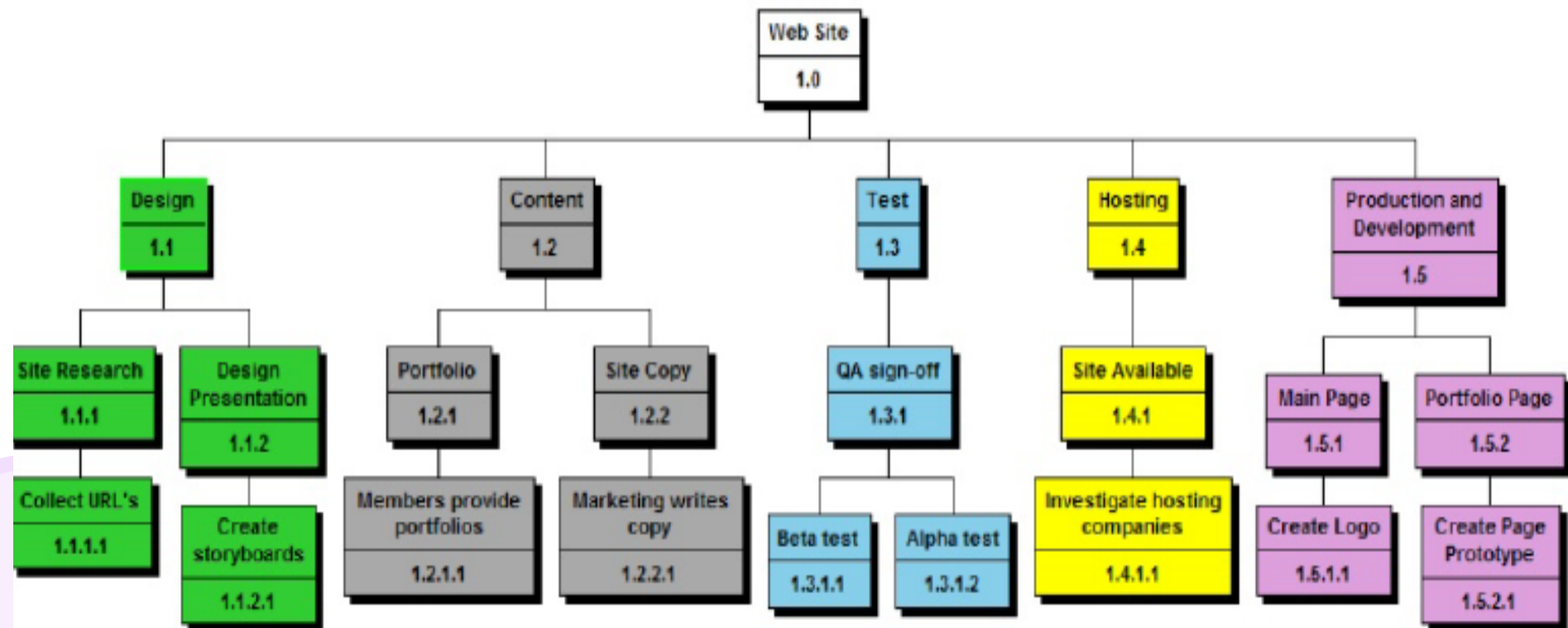
**4:The performance.**

**Next, break each of these down another level:**

**2:Venue Preparation:** 2-1Site location, 2-2Staging, 2-3Viewing Areas, 2-4Amenities, 2-5Access/Egress, 2-6Media Facilities, 2-7Power & Utility Infrastructure.

Continue with your WBS until you get to your FIRST 'verb'; like 'install stage light fittings', or 'hire media centre furniture' .... Stop at a level of detail where the resulting activity can be estimated realistically, in terms of 'time-to-complete'.

# Four Level WBS of Website Development

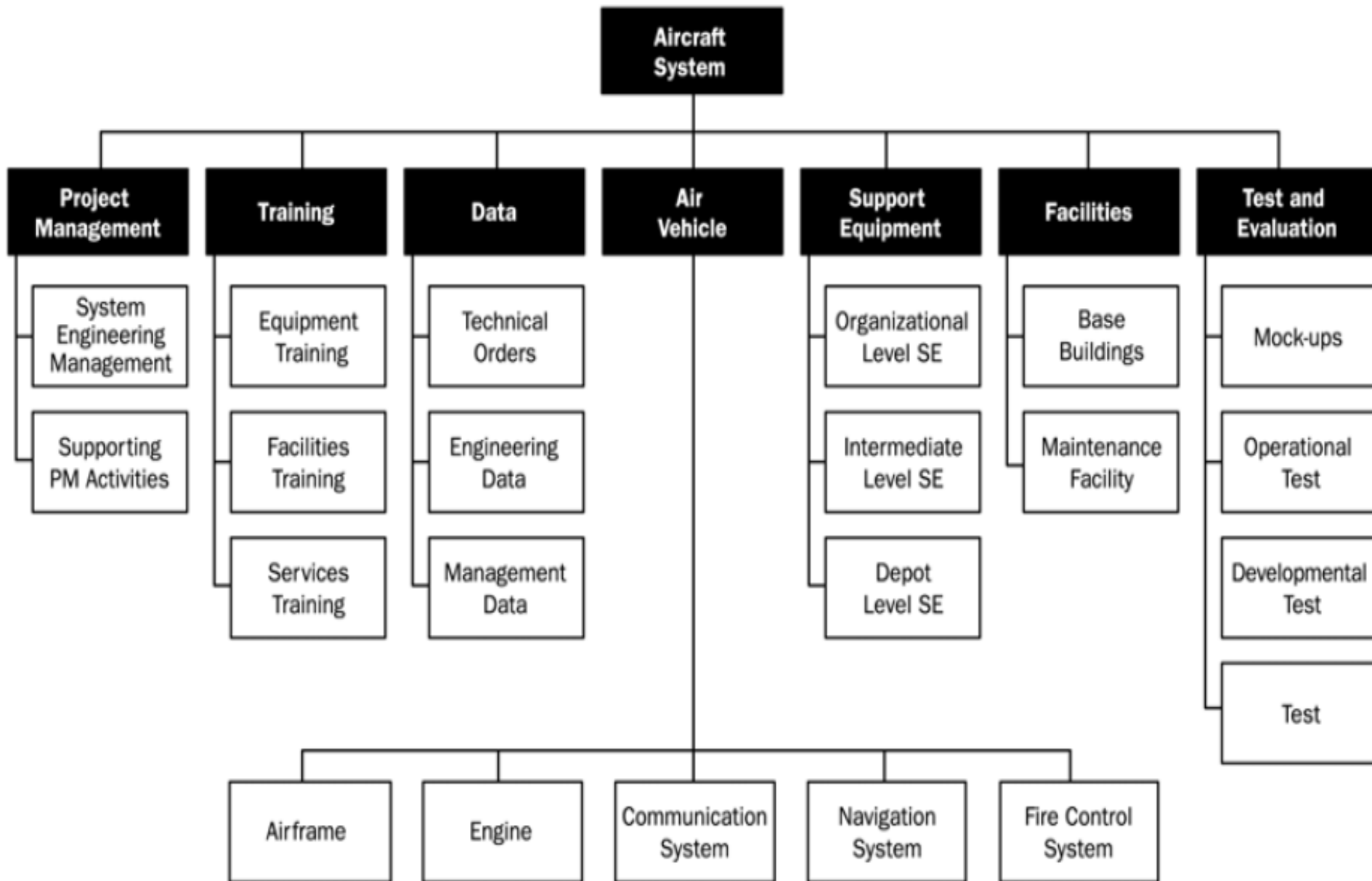


# Work Package

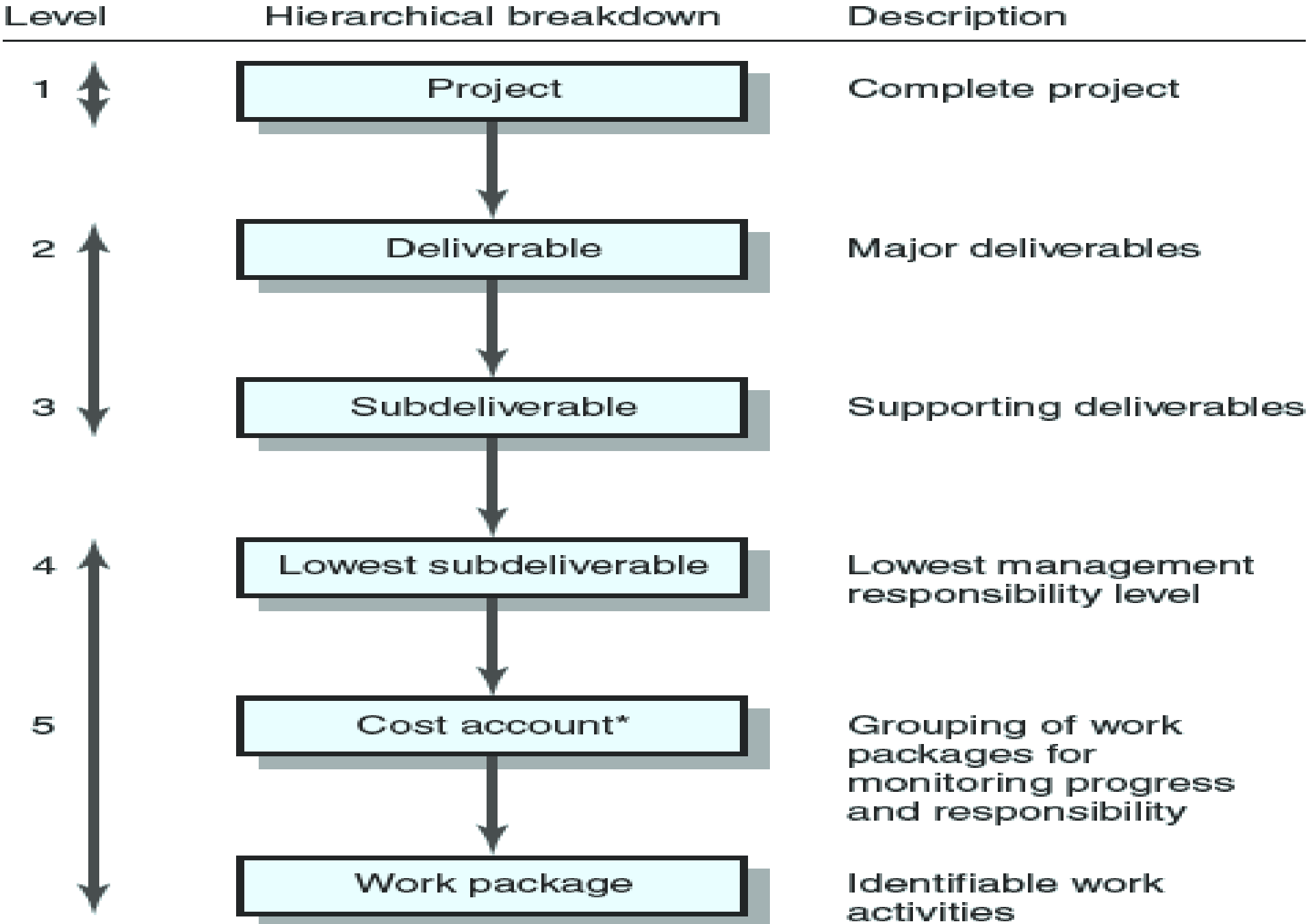
Collection of activities and tasks that fit together logically and could be “ring fenced” to assign to a responsible person. WP are the **lowest level** of the WBS and are **pieces of work**. This is the level at which the project manager has to monitor all project work.

A deliverable **does not consume time and resources**.

An activity/task is **what you do to deliver**. It **consume time and resources**



The WBS is illustrative only. It is not intended to represent the full project scope of any specific project, nor to imply that this is the only way to organize a WBS on this type of project.



# To review, each work package in the WBS

1. Defines work (**what**).
2. Identifies time to complete a work package (**how long**).
3. Identifies a time-phased budget to complete a work package (**cost**).
4. Identifies resources needed to complete a work package (**how much**).
5. Identifies a single person responsible for units of work (**who**).
6. Identifies monitoring points for measuring progress (**how well**).

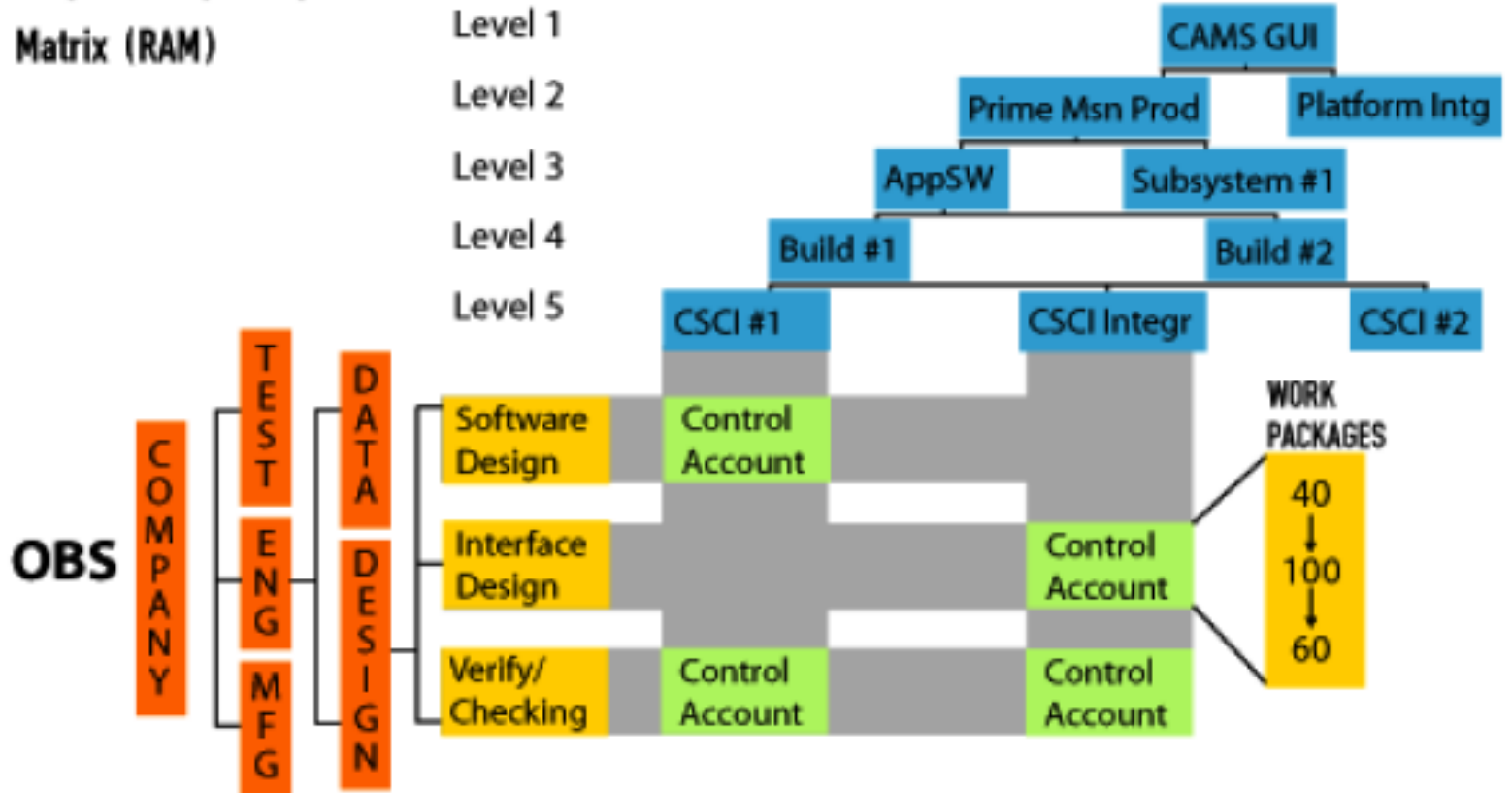


# RAM Example

Responsibility Assignment  
Matrix (RAM)

Matrix (RAM)

WORK BREAKDOWN STRUCTURE



Example from a Software Development Program

# Direct and Indirect Project Cost

- **Direct costs:** Costs that can be directly related (traceable) to the project like salaries, cost of hardware/software purchased specifically for the project.
- **Indirect costs:** Costs that are not directly related (not traceable) to a specific project, but are indirectly related to performing the project. Example are cost of electricity, stationary, transportation and general administration.