

Third Lecture

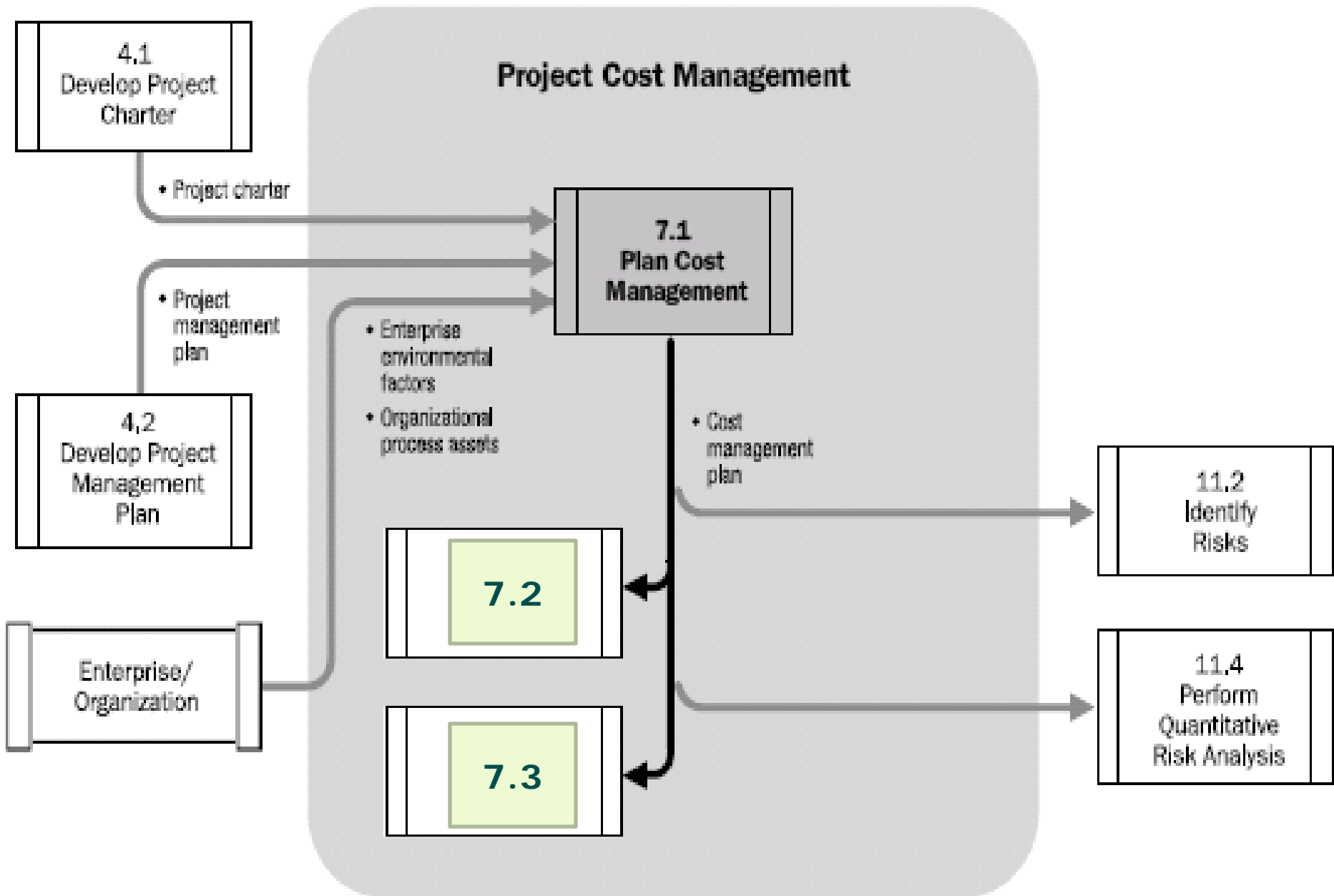
Cost :

- Amount that has to be paid or spent to buy or obtain something.
- A resource sacrificed or foregone to achieve a specific objective or something given up in exchange. Costs are usually measured in monetary units like \$ or Rs.
- **Project Cost Management** is Process to ensure that project is completed within the approved budget.



FOUR PROCESSES OF PROJECT COST MANAGEMENT

- 7.1 Plan Cost Management**—The process that establishes the policies, procedures, and documentation for planning, managing, expending, and controlling project costs.
- 7.2 Estimate Costs**—The process of developing an approximation of the monetary resources needed to complete project activities.
- 7.3 Determine Budget**—The process of aggregating the estimated costs of individual activities or work packages to establish an authorized cost baseline.
- 7.4 Control Costs**—The process of monitoring the status of the project to update the project costs and managing changes to the cost baseline.



7.1 Plan Cost Management

Plan Cost Management is the process that establishes the policies, procedures, and documentation for planning managing, expending, and controlling project costs. The key benefit of this process is that it provides guidance and direction on how the project costs will be managed throughout the project. The inputs, tools and techniques, and outputs of this process are depicted in Figure 7-2. Figure 7-3 depicts the data flow diagram of the process.

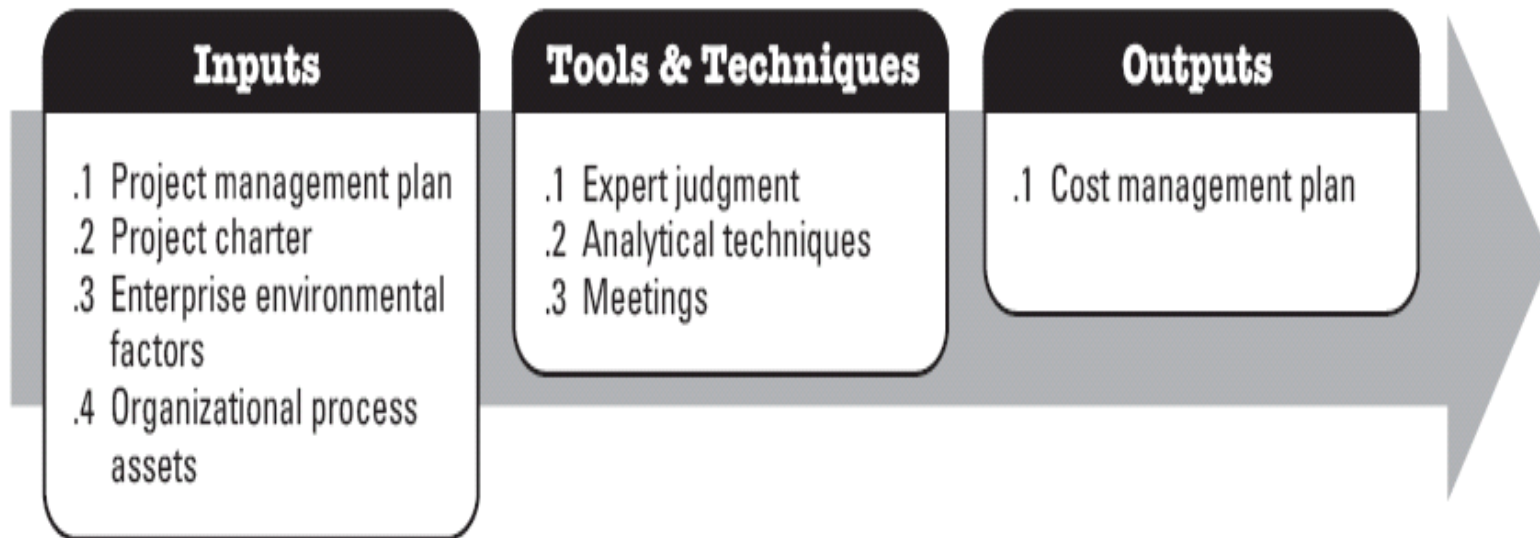


Figure 7-2. Plan Cost Management: Inputs, Tools & Techniques, and Outputs

Outputs Plan Cost Management

7.1.3.1 Cost Management Plan

The cost management plan is a component of the project management plan and describes how the project costs will be planned, structured, and controlled. The cost management processes and their associated tools and techniques are documented in the cost management plan.

PMBOK: Cost Management Plan can establish followings;

1. Level of Accuracy. Precision level to round activity estimates.
2. Units of measure. hours, days, weeks,
3. Organizational procedure links. WBS components called CA.
4. Control Thresholds. Amount of variance the sponsor is willing to allow.
5. Rules of performance measurement. EVM
6. Reporting formats. Formats and frequency
7. Process Descriptions. Of three PCM processes