

Course Outline

Project Cost Management

MSPM Fall- 2015

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In this course, you will consider the general approaches to cost management, such as the methods used to estimate costs, preparing budgets and controlling/monitoring a project's financials. In addition you will learn basic financial management terms & techniques and preparation of feasibility reports for projects. You will also learn about the interrelationship of various cost control concepts and possible responses a project management team might make if a project is falling behind schedule or overrunning its budget.

PREREQUISITES:

Learners should have some experience in project management and will need to have access to the PMI's (Project Management Institute's) PMBOK Guide 4th Edition.

LEARNING OBJECTIVES

Students will be able to:

- Define cost management and its associated cost management plan.
- Explain the various inputs of and methods for estimating activity cost.
- Understand how to aggregate activity costs in order to determine budget and both periodic and total project funding requirements.
- Understand the cost performance baseline and performance measurement baseline and their importance in earned value management.
- Calculate planned value, earned value, actual cost, schedule variance, cost variance, the schedule performance index, and cost performance index.
- Understand how baselines, planned value, earned value, and actual cost can be represented in graphic form.
- Calculate the budget at completion, estimate at completion, estimate to complete, and the to-complete performance index and use these concepts to forecast the cost requirements of a project.
- Identify the warning signs that a project is falling behind schedule or overrunning its budget and explain the various possible responses.
- Explain performance-reporting techniques and updates to project documentation.
- Understand the various approaches to project selection, including return on investment and internal rate of return.
- Loan amortization schedule, Time value of money, bank transactions and reconciliation of bank accounts.

WEEKLY SCHEDULE AND TENTATIVE TOPICS:

- Week:1. Introduction, Basics Line of action, Defining PCM.
- Week:2. Making WBS, Combination of OBS and WBS, CAM, RAM
- Week:3. Inputs, Tools/Techniques and outputs of Plan Cost Management.
- Week:4. Inputs, Tools/Techniques and outputs of Estimate Cost Process.
- Week:5. Inputs, Tools/Techniques and outputs of Determine Budgets Process.
- Week:6. Inputs, Tools/Techniques and outputs of Control Cost Process.
- Week:7. Tools/Techniques of Control Cost Process.
- Week:8. **Mid Term Exam.** 2 Hrs
- Week:9. Project's Net Present Value and Finding the Pay Back Period.
- Week:10. Analysis of Project Benefits Cost ratio and Rate of Return.
- Week:11. Effects of Inflation and Purchasing Power on Project.
- Week:12. Income Tax and Depreciation Effects on Project.
- Week:13. Preparing the Feasibility for Different Projects.
- Week:14. Planning Commission Performa PC1 to PC5.
- Week:15. Cost accounts used in projects.
- Week:16. **Final Exam.** 3 Hrs.

READING MATERIAL:

- PMBOK 4th Edition- Knowledge Area No.7.
- Economic and Financial Analysis for Engineering/Projects (By Abdol Ardalan).
- Fundamentals of Financial Management (By Van Horn).
- Teacher's Handouts/Slides, Actual Feasibility Studies.
- Principles of Cost Management (By Matz Uzry).

MARKS DISTRIBUTION:

Mid-Term = **30%** Final =**40%** Quiz=**15%** CP: **5%** Feasibility=**6%**
PCM Report=**4%**. **Three** Quizzes of 5 Marks each (MCQ/Short Qs) 4th, 7th and 12th Class.
