



PROJECT COST MANAGEMENT



INTRODUCTION

WHAT DOES THE COST KNOWLEDGE AREA INCLUDE?

Processes involved in Planning, estimating, budgeting, financing, funding, managing, and controlling project costs. So that the project

- can be completed within approved budget.

PROJECT COST MANAGEMENT

WHAT DOES THE COST KNOWLEDGE AREA INCLUDE?

- ▶ The cost management processes and their associated tools and techniques are usually selected during the project life cycle definition and are documented in the cost mgmt. plan.

Life Cycle Costing

- ▶ It is defined as the cost of using, maintaining & supporting the product, service or result of the project, but it's not part of the project's budget (will get many questions on life cycle costing).
- ▶ Uses the Cost Management Plan (which is a part of the Project Management Plan)

PROJECT COST MANAGEMENT

Types of Costs : Let us illustrate using an example: Seminar

- Fixed- rent of the seminar room is a fixed cost
- Variable – cost of food to participants varies with number of participants
- Direct – hiring of PA system for the seminar
- indirect – cost of electricity of the venue is shared by all the other users

COST PROCESSES

COST PROCESS DEFINITIONS

- **7.1 Plan Cost Management**

This is the process that establishes the policies procedures, and documentation for planning, managing, expending, and controlling project costs

- **7.2 Estimate Costs**

Develop cost approximations of all monetary resources needed to complete project activities.

- **7.3 Determine Budget**

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 budget and managing changes to the cost baseline.

In smaller projects, Cost Estimating & Cost Budgeting can be one single process