

EXPERT JUDGEMENT

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PMGT 690

JANUARY 2016

Plan Cost Management

Project Cost Management should consider the stakeholder requirements for managing costs. Different stakeholders will measure project costs in different ways and at different times. For example, the cost of an acquired item may be measured when the acquisition decision is made or committed, the order is placed, the item is delivered, or the actual cost is incurred or recorded for a project accounting purpose. (PMI, 2013)

The Cost Management Plan should clearly define how the Project Manager will manage costs, as well as which project costs will be measured, reported, and controlled. Specifically, the Cost Management Plan identifies, how to Measure project costs, the cost reporting format, cost variance and response processes. Prices and shipping will vary depending on project location and it could be the make or break point for the entire project. Having a strong team with connections is a must to get the best price for all materials for the project.

When taking over a failing project the Project Manager determines at which WBS level to create the Control Accounts, based on the size and complexity of the project. The project estimates are created at the work package level and would ideally be reported at that level. However, large or complex projects may be deemed too difficult or time consuming to manage costs at the work package level, and in such cases the Project Manager should determine the appropriate WBS level for reporting cost performance. Although activity cost estimates should be created at the work package level, the level of accuracy for cost management will be reported per control account. The post management planning effort occurs early in the project so you have to recover and regain the framework for each of the cost management process so that performance of the process will be efficient and coordinated.

The Project Manager is responsible for managing and reporting on the project's cost throughout the duration of the project. During the project status meeting, the Project Manager should report on two cost-related Earned Value measurements: Cost Variance (CV) and Cost Performance Index (CPI). For many projects, these cost measurements along with Schedule Variance (SV) and Schedule Performance (SPI) provide sufficient financial detail for the Project Sponsor to provide oversight.

References

Larson, E. & Gray, C. (2014). *Project Management: The Managerial Process* (6th ed.). New York, NY. McGraw Hill Education.

Project Management Institute (PMI). (2004). *A guide to the project management body of knowledge (PMBOK guide)*. Newtown Square, Pa: Project Management Institute.