

# Project Cost Management

See Chapter 7 in the PMBOK® Guide.

Project Management, A Systems Approach to Planning, Scheduling, and Controlling, Seventh Edition by Harold Kerzner, PHD has some excellent additional material on benefit/cost analysis, depreciation, NPV, etc.

The WBS on PMBOK® Guide Page 84 is as follows:

1. Resource Planning
2. Cost Estimating
3. Cost Budgeting
4. Cost Control

Comments:

1. Assign people, equipment and materials to the activities in your schedule. Typically you assign senior people at a low percentage, e.g. 10%, and junior people at a higher percentage. You have to take other projects and non project work into account and there is often a considerable amount of negotiation required. Use templates loaded with generic resources. See our PMMP Checklist.
2. There is something magical about getting “free” cost estimates, using the new project management tools.
3. In the bad old days you generally won the job on the basis of your cost estimate and did the schedule after the job was awarded. Budgeting was a big job because of the different Work Breakdown Structures (WBS) used in the cost estimate (high level) and in the schedule (detailed). These days this approach is almost heresy. How can you know what a project is going to cost if you don't know how long it is going to take? It is often so easy and fast to do the schedule first, particularly if you have schedule templates from previous similar projects. Remember too, that the cost baseline may not be realistic until the schedule has been resource leveled. The initial Planned Value is often hopelessly skewed and unrealistic.
4. Cost Control remains a challenge for many companies. It is often difficult to collect actual cost information at the activity level in time to correct a problem. See Project Communication Management, Chapter 10 in the PMBOK® Guide, and our PMMP Checklist.

With application of resource demands, the schedule provides both a cost estimate and cash flow projections. Leveling remains one of the most powerful tools for increasing profits and avoiding negative impacts. The software can also be automated to calculate Estimate at Completion based on current performance.