BRENTWOOD
OPEN LEARNING COLLEGE

Assignment Cover Sheet

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Course:	Advanced Diploma Project Management Level 5
Assignment NO:	6 Project Cost Management Processes

Marking Criteria:

We expect the learners to write minimum one well expressed point in three lines against each allocated mark. This means one needs to write 15 lines with 5 well expressed points to get high grades for a 5 marks question.

For high grades use examples and illustrations where appropriate.

1. Give short answers for the following questions:

i. What are the administrative costs of a project?

Day-to-day costs that keep the organization running, but are not directly related to the project, are called administrative costs. These include local phone charges, support personnel, office equipment, leases, heating and lighting, etc.
The project manager will want to share some general thoughts about project costs with the selection committee and identify the major expenses of the project. The project budget will be further defined once adequate estimating can be completed, at which time the final project budget can be submitted for approval.
The activities involved in the Project Cost Management knowledge area establish estimates for costs and resources of the project. They also monitor those costs to ensure that the project stays within the approved budget. These processes may require the involvement of more than one person, depending on the complexity of the project. For example, the finance officer may not have expertise in the Resource Planning area, in which case a staff member with the skills to complete the Resource Planning process will be brought in by the project manager.

ii. Describe the inputs of resource planning.

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related to the project, are called administrative costs. These include local phone charges, support personnel, office equipment, leases, heating and lighting, etc.
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iii. Name various resources of expert judgment.

The project manager and project team should be ready to identify and plan the project resource needs when they have access to the information about inputs to resource planning. The project manager and project team will apply reason, logic, and experience in evaluating the available resources in relation to the project requirements after examining the project work and the available resources.
A person or group might offer expert judgment on the project resource needs. To evaluate and analyze the resources that the project needs, the person or group offering the expert judgementshould have the necessary experience, training or expertise. Expert judgement can come from several sources:

Trade and professional associations

Industry groups

Internal subject matter experts, such as resources from other departments

External subject matter experts, such as consultants.

iv. What are the inputs of cost estimating?

Cost estimating relies on several project components from the Initiation and Planning process groups. This process also relies on historical information and policies from the performing organization.

v. Describe the inputs of the cost control process.

Cost control allows the project manager to confront the problem, find a solution, and then act accordingly. Specifically, cost control focuses on

these activities:
Controlling causes of change to ensure the changes are actually needed
Controlling changes in the project and their influence on cost
Communicating the cost changes to the proper stakeholders
Working to bring and maintain costs within an acceptable range
Performing cost monitoring to recognize and understand cost variances
Recording appropriate cost changes in the cost baseline
Controlling and documenting changes to the cost baseline as they occur
Preventing unauthorized changes to the cost baseline

2. Project costs can be broken down roughly into three areas;

a) Administrative costs, labour costs and equipment costs

b) Administrative costs, resource or project costs and human resource costs

c) Human resource costs, labour costs and material costs.

3. What is 'learning curve'? And how does it affect the total cost of a project?

This is a simple approach; the cost per unit decreases as the workers complete more units; this is because workers learn as they complete the required work. The more an individual completes an activity, the easier it is to complete. The estimate is considered parametric, as the formula is based on repetitive activities, such as painting hotel rooms, wiring telephone jacks, or other activities that are completed repetitively within a project. As the experience increases, the cost per unit decreases, since the time needed to complete the work is shortened.