MONASH University

GROUP OF EIGHT AUSTRALIA

Information Technology

FIT2002
Week 6 Seminar

Project
Cost Management

Project Cost Management

Planning

Project Cost Management

Control

Estimate Costs

Determine Budget

Control Costs

Project Cost Management Summary

Planning

Process: **Plan cost management**

Outputs: Cost management plan

Process: **Estimate costs**

Outputs: Activity cost estimates, basis of estimates, project documents updates

Process: **Determine budget**

Outputs: Cost baseline, project funding requirements, project documents updates

Monitoring and Controlling

Process: **Control costs**

Outputs: Work performance information, cost forecasts, change requests, project management plan updates, project documents updates, organizational process assets updates

Project Start

Project Finish

Recap from Video 1:

- Project cost management is traditionally a weak area of IT projects.

- IT project managers must acknowledge the importance of cost management and take responsibility for understanding basic cost concepts, cost estimating, budgeting, and cost control.

- Project managers must understand several basic principles of cost management to be effective in managing project costs.

- Important concepts include

    - profits and profit margins,
    - life cycle costing,
    - cash flow analysis,
    - sunk costs, and
    - learning curve theory.

Recap from Video 2:

- Planning cost management involves determining the policies, procedures, and documentation that will be used for planning, executing, and controlling project cost.

- The main output of this process is a cost management plan.

- Estimating costs is a very important part of project cost management.

- There are several types of cost estimates, including rough order of magnitude (ROM), budgetary, and definitive.

- Each type of estimate is done during different stages of the project life cycle, and each has a different level of accuracy.

- Several tools and techniques can help you develop cost estimates, including analogous estimating, bottom-up estimating, parametric estimating, and computerized tools.

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Schwalbe, K.. (2015). Information Technology Project Management. (8e) Cengage Learning

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Recap from Video 3:

- Determining the budget involves allocating costs to individual work items over time.

- It is important to understand how particular organizations prepare budgets so estimates are made accordingly.

- Controlling costs includes monitoring cost performance, reviewing changes, and notifying project stakeholders of changes related to costs.

- Earned value management is an important method used for measuring project performance.

- Earned value management integrates scope, cost, and schedule information.

- Project portfolio management allows organizations to collect and control an entire suite of projects or investments as one set of interrelated activities.

Recap from Video 4:

- Difference between traditional and agile cost management.

- In agile projects, cost is mostly a direct expression of project time

- Project cost includes the team cost, cost for resources like hardware, software, licenses, and other supplies needed to complete the project.

- We can determine the team cost by determining the team's velocity (development speed) and how many sprints the project will take (i.e. the project duration)

- Ways to lower project cost in Agile projects:

  - Self-funding project
  - Lowering cost by increasing velocity
  - Lowering cost by reducing time

Workshop Exercise – Project compression