Faculty of Information Technology

FIT2002 PROJECT MANAGEMENT

TUTORIAL 3

TOPIC:
Project Integration Management

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Learning outcomes:

- Discuss project integration management as it relates to the other project management knowledge areas and the project life cycle.
- Evaluate project selection using the various (quantitative) financial models
- Discuss the integrated change control process, planning for and managing changes on information technology (IT) projects

<table>
<tr><th>Time (110 mins)</th><th>Topic</th><th>Activity</th></tr>
<tr><td>30 mins</td><td>Review of the lecture</td><td>Activity 1: (Note: these are exam type questions)

In groups of 3 – 4, discuss:

1. Describe project integration management. How does it relate to the project life cycle, stakeholders, and the other project management knowledge areas?

2. Why is it important to select the right project in an organisation? Ensure you discuss costs vs business benefits!

3. Discuss the different methods for selecting IT projects.

4. What are the 3 main objectives of performing an integrated change control? Discuss the importance of following a well-integrated change control process on IT projects.</td></tr>
<tr><td>30 mins</td><td>Time value of Money</td><td>Activity 2:

Cash inflows of $6,000 will be received at the end of years 3, 4, 5, and 6. The amounts are invested at interest rate 20% per year.

a) Calculate the <u>value of the investment at the end of year 8</u>. (Hint: Use the FV formula)

<table><tr><td colspan="8">Discount rate:</td></tr><tr><td>Project</td><td>Year 3</td><td>Year 4</td><td>Year 5</td><td>Year 6</td><td>Year 7</td><td>Year 8</td><td>Total</td></tr><tr><td>Cash inflow</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Invest no. years</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Formula</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Value</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>
b) Calculate the <u>present value of the cash inflows</u>. (Hint: Use the NPV formula)</td></tr>
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		Project	**Calculation**	**Discounted Cash Flow**
		Year 1		
		Year 2		
		Year 3		
		Year 4		
		Year 5		
		Year 6		
		Year 7		
		Year 8		
		NPV		

30 mins — Project Selection

Activity 3:

Project A and Project B will cost the same ($25,000), and have the same net cash flow ($10,000). Given the following information, which Project is more desirable?

a) Calculate the **Net Present Value (NPV)** of Project A and Project B (for a 5 year project life) and then decide which one is more desirable for selection.

Use template at the end of this document

b) Calculate the **Return of Investment (ROI)** for each project and then decide which project is more suitable for selection.

c) Weighted Score Model

Create a weighted scoring model to determine final marks for a unit. Final marks are based on three exams worth 20%, 15%, and 25%, respectively; homework is worth 15%; and a group project is worth 25%. Enter scores for three students. Assume Student 1 earns 100% (or 100) on every item. Assume Student 2 earns 70% on each of the exams, 80% on the homework, and 95% on the group project. Assume Student 3 earns 90% on Exam 1, 80% on Exam 2, 75% on Exam 3, 80% on the homework, and 70% on the group project. Use the weighted scoring model template below.

Criteria	**Weight**	**Student 1**	**Student 2**	**Student 3**
Weighted scores				

20 Mins	Project team report	**Activity 4:** 1. Confirm your project group members with your tutor. 2. Invite your tutor to your project collaboration tool. 3. Check with your tutor if you're not sure of any requirements stated in Assignment 1 Specification and Running Case 1.

Template for Activity 3 a) and b)

Discount rate	**10%**					
Discount factor						
			Year			
PROJECT A	**1**	**2**	**3**	**4**	**5**	**TOTAL**
Costs	**$20,000**	**$2,000**	**$1,000**	**$1,000**	**$1,000**	**$25,000**
Discounted costs						
Benefits	**$0**	**$5,000**	**$10,000**	**$10,000**	**$10,000**	**$35,000**
Discounted benefits						
Discounted cash flow						
Cumulative disc cash flow						
NPV:						
ROI:						
			Year			
PROJECT B	**1**	**2**	**3**	**4**	**5**	**TOTAL**
Costs	**$10,000**	**$5,000**	**$5,000**	**$3,000**	**$2,000**	**$25,000**
Discounted costs						
Benefits	**$1,000**	**$2,000**	**$5,000**	**$12,000**	**$15,000**	**$35,000**
Discounted benefits						
Discounted cash flow						
Cumulative disc cash flow						
NPV:						
ROI:						