**Video 1:**

**Cost overrun:** the additional percentage or dollar amount by which actual costs exceed estimates

Cost: a resource sacrificed/ foregone to achieve a specific objective or sth given up in exchange

**Project cost management:** the processes required to ensure that the project is completed within an approved budget

* Planning cost management: determine policies, procedures, documentation that will be used for planning, executing and controlling project cost
* Estimating costs: develop an approximation or estimate of the costs of the resources needed to complete a project
* Determining the budget: allocate overall cost estimate to individual work items to establish a baseline for measuring performance
* Controlling cost: control changes to the project budget

**Profits:** revenues – expenditures

**Profit margin:** revenues/profits

**Life cycle costing:** consider total cost of ownership (development + support)

**Cash flow analysis:** estimated annual costs & benefits for a project

**Types of costs & benefits:**

* Tangible costs/benefits: can easily measure in dollars
* Intangible costs/benefits: difficult to measure in monetary terms
* Direct costs: directly related to producing the products & services
* Indirect costs: not directly related to producing the products & services
* Sunk cost: money that has been spent in the past

Basic principles:

* Learning curve theory:

When many items are produced repetitively, the unit cost of those items decreases in a regular pattern as more units are produced

* Reserves:

Dollars included in a cost estimate to mitigate cost risk by allowing for future situations that are difficult to predict

* + 1. Contingency reserves:

known unkowns (future situations that may be partially planned for)

included in the project cost baseline

* + 1. Management reserves:

Unkown unkowns (future situations that are unpredictable

**Video 2:**

Cost management plan:

* Level of accuracy & units of measure
* Organisational procedure links
* Control thresholds
* Rules of performance measurement
* Reporting formats
* Process descriptions

**Cost estimation tools & techniques:**

* Analogous/top-down: use actual cost of pervious, similar project as the basis
* Bottom-up: estimate individual work items/activities and sum up
* Parametric modelling: use project characteristics/parameters in a mathematical model