**Costing, Budgets, and Earned Value**

Project provides the flexibility to be a budgeting tool and can provide earned value calculations. Cost information is required to be entered to take advantage of these features.

As a review, the total cost for a task consists of all fixed costs plus all resource costs. Fixed costs are entered one time on the task in the fixed cost field.

To enter a fixed cost:

1. Using your preferred method, select Gantt Chart view
2. Click the View tab
3. Click the drop-down arrow on Tables in the Data group
4. Click Cost
5. Enter the fixed cost value

Tip – The default table for Gantt Chart view is Entry.

Resource costs include all of the following:

* For a work resource - hourly rate multiplied by a number of hours,
* For a material resource – unit rate multiplied by number of units
* For a cost resource – amount entered at the time of the task assignment
* Overtime costs – if resource hours on a task are specifically entered in the overtime field, the hours entered will be multiplied by the overtime rate and the standard rate will be ignored
* Cost per use - if used on a work or material resource, this cost will be added to the task each time the resource is used

Note - Refer to the Managing Projects with Microsoft Project Introduction book for information on how to enter standard resource costs.

Tip – Project assumes prorated cost calculations unless otherwise specified so costs are current based on the progress of the task. This will be important for organizations using Project for earned value management.

# **Setting Alternate Rates for Resources**

In this topic, we will cover alternate rate scenarios for resources. Some organizations bill out resources to another company. In those scenarios, you might need a resource that has different rates depending on the job function they are doing or depending on the contract with the other company. For example, you may have a resource with multiple skills who can perform both engineering work and project management work but each skill needs to be charged at a different rate. Project provides work and material resources between one to five different rates. In addition, each rate has the capability to incorporate a rate increase or decrease on a specific date. For example, you may have given a resource a pay raise in which you need to incorporate this new rate.

To set an alternate rate for a resource:

1. Using your preferred method, select **Resource Sheet** view
2. Right-click on the desired resource name and click **Information**
3. Click the **Costs** tab
4. Click the desired rate table and enter the desired rate(s)
5. Click **OK**

Tip – Be sure to apply the alternate rate table to the desired task assignment for Project to apply the new costs.

To apply an alternate rate on a task assignment:

1. Using your preferred method, select **Resource Usage** view
2. Underneath the desired resource, locate the desired task
3. Double-click the task name
4. In **Cost Rate Table,** choose the desired table
5. Click **OK**

To set a rate change on a specific day:

1. Using your preferred method, select **Resource Sheet** view
2. Right-click on the desired resource name and click **Information**
3. Click the **Costs** tab
4. Optional - In **Cost Rate Table,** choose the desired table
5. In **Effective Date**, choose or enter the desired date and choose or enter the desired rates
6. Click **OK**

Note – Project automatically applies the new rate on tasks but historical information is protected.

# **Creating a Budget Resource**

A budget resource is simply a setting on an existing resource that limits its assignment capabilities to only the Project Summary task. For this reason, it is useful for overall budgeting purposes. Budget resources can be used to budget by cost or by work hours.

To create a budget resource that will be used to create an overall project cost:

1. Using your preferred method, select Resource Sheet view
2. Enter a new resource to represent your budget resource (e.g. Budget Cost)
3. In Type, choose Cost
4. Right-click on the resource name and click Information
5. Click Budget on the General tab
6. Click OK

To assign a budget resource and enter a cost budget value:

1. Using your preferred method, select Task Usage view
2. Click the Formattab
3. Click Project Summary Task in the Show/Hide group
4. Right-click the task name on Row 0
5. Click Information
6. Click the Resourcestab
7. In Resource Name choose Budget Cost *(or your budget resource name)*
8. Click OK
9. Click the column heading to the right of Task Name
10. Click the Format tab
11. Click Insert Column in the Columns group
12. Click Budget Cost
13. Enter the budget value in the Budget Cost field

Tip – Project automatically spreads the value across the life of the project. If you desire, you could instead zoom in or zoom out the timescale, add the Budget Cost field to the grid, and enter time phased budget values.

# **Creating a Budget Field**

A budget field is using one of Project’s open fields to enter budget information. The advantage of using this approach is you can enter a budget at any level of detail desired including summary tasks or detail tasks. You can also choose to enable rollup of budget information to the summary levels. Budget fields can be set to capture either cost or work budget values as desired.

To create a budget field:

1. Using your preferred method, select Gantt Chart view
2. Click the Project tab
3. Click Custom Fields in the Properties group
4. Click the drop-down arrow next to Type and click Cost
5. Click an available cost field and click Rename
6. Enter a friendly name such as Budgetand click OK
7. Optional – choose a Rollup option for Calculation for task and group summary rows
8. ClickOK
9. Click a column heading to the right of where you want the budget field to appear
10. Click the Format tab
11. Click Insert Column in the Columns group
12. Click Budget*(or your budget field name)*
13. Enter the budget value in the Budget field

Tip – Whether you use a budget resource or a budget field approach, both can be used to compare against the total cost or total hours of the project.

Tip – If you have captured a baseline, include that field as well to provide information about planned cost/work, budgeted cost/work, and actual cost/work.

# **Earned Value Reporting**

Take Advisicon section on Earned Value Reporting pages 203-207

Please add these tips to page 203 of the Advisicon book (below the first two paragraphs)

Tip – Project provides you the earned value for the task based on the percent complete which is entered directly during tracking or calculated based on information provided such as actual duration and remaining duration. If your organization prescribes to another project management technique for earning earned value, you will need to add tasks to your project plan so when a percentage is entered you will receive the expected earned value amount.

Tip – Project follows the prorated approach for accrual of earned value which means you will receive earned value at every point of task progress 25%, 50%, 100%. You can change this setting for both resources and fixed costs if you desire.