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| 1. Overrun is the additional percentage amount by which estimates exceed actual costs.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *RATIONALE:* | Feedback: Overrun is the additional percentage or dollar amount by which actual costs exceed estimates. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.286 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.48 - LO: 7-1 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | The Importance of Project Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 2. The primary output of the planning cost management process is a change request.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *RATIONALE:* | Feedback: The main output of the planning cost management process process is a cost management plan. Planning cost management involves determining the policies, procedures, and documentation that will be used for planning, executing, and controlling project cost. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.288 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.48 - LO: 7-1 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | The Importance of Project Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 3. IT project managers must be able to present and discuss project information both in financial and technical terms.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *RATIONALE:* | Feedback: Most members of a company’s executive board have a better understanding of financial terms than IT terms, and are more interested in finance. Therefore, IT project managers need to be able to present and discuss project information both in financial terms and technical terms. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.289-290 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: - Comprehension | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 4. Project managers must conduct cash flow analysis to determine net present value.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *RATIONALE:* | Feedback: Cash flow analysis is a method of determining the estimated annual costs and benefits for a project and the resulting annual cash flow. Project managers must conduct cash flow analysis to determine net present value. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.292 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | The Importance of Project Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 5. Intangible costs can be easily measured in monetary terms.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *RATIONALE:* | Feedback: Intangible costs or benefits are difficult to measure in monetary terms. Conversely, tangible costs or benefits can easily be measured in dollars. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.292 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 6. When deciding what projects to invest in or continue, one should include sunk costs.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *RATIONALE:* | Feedback: Sunk cost is money that has been spent in the past. When deciding what projects to invest in or continue, one should not include sunk costs. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.292 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 7. It is important for project managers to focus on indirect costs because they can be easily controlled.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *RATIONALE:* | Feedback: Direct costs can be directly related to creating the products and services of the project. Project managers should focus on direct costs because they can be controlled. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.292 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 8. If an important supplier goes out of business, management reserves can be set aside to cover the resulting costs.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *RATIONALE:* | Feedback: Management reserves allow for future situations that are unpredictable. For example, if a project manager gets sick for two weeks or an important supplier goes out of business, management reserves could be set aside to cover the resulting costs. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.293 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 9. Contingency reserves are also known as unknown unknowns.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *RATIONALE:* | Feedback: Contingency reserves allow for future situations that may be partially planned for. They are sometimes called known unknowns. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.293 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 10. A cost management plan can include organizational procedures links, control thresholds, and process descriptions.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *RATIONALE:* | Feedback: In general, a cost management plan includes level of accuracy, organizational procedures links, process descriptions, control thresholds, and rules of performance measurement, among others. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.294 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.50 - LO: 7-3 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Planning Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 11. A budgetary estimate is the most accurate of the three types of estimates.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *RATIONALE:* | Feedback: A definitive estimate provides an accurate estimate of project costs. It provides details for purchases and estimates actual costs. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.295 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 12. Budgetary estimates are made even before a project is officially started.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *RATIONALE:* | Feedback: Many organizations develop budgets at least two years into the future. Budgetary estimates are made one to two years prior to project completion. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.295 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 13. Definitive estimates are made one year or less prior to project completion.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *RATIONALE:* | Feedback: Definitive estimates are made one year or less prior to project completion. They provide an accurate estimate of project costs. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.295-296 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 14. Estimates should become more accurate as time progresses.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *RATIONALE:* | Feedback: Estimates are usually done at various stages of a project and should become more accurate as time progresses. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.296 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 15. Supporting details for an estimate include the ground rules and assumptions used in creating the estimate.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *RATIONALE:* | Feedback: In addition to creating cost estimates for the entire project and activity cost estimates, it is also important to provide supporting details for the estimates and updates to project documents. The supporting details include the ground rules and assumptions used in creating the estimate, a description of the project used as a basis for the estimate, and details on the cost estimation tools and techniques used to create the estimate. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.296 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 16. Analogous estimates are called activity-based costing.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *RATIONALE:* | Feedback: Analogous estimates are also called top-down estimates. Such estimates use the actual cost of a previous, similar project as the basis for estimating the cost of the current project. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.297 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 17. Analogous estimates are the most accurate technique to estimate costs.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *RATIONALE:* | Feedback: Analogous estimates requires a good deal of expert judgment and is generally less costly than other techniques. However, it is also less accurate. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.297 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 18. In a bottom-up estimate, the size of the individual work items is one of the factors that drives the accuracy of the estimates.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *RATIONALE:* | Feedback: The size of the individual work items and the experience of the estimators drive the accuracy of the estimates. Using smaller work items increases the accuracy of the cost estimate because the people assigned to do the work develop the cost estimate instead of someone unfamiliar with the work. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.297 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 19. Parametric models are reliable when the models are flexible in terms of the project’s size.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *RATIONALE:* | Feedback: Parametric models are most reliable when the historical information used to create the model is accurate, the parameters are readily quantifiable, and the model is flexible in terms of the project’s size. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.298 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 20. One of the reasons why project cost estimates are inaccurate is because human beings are biased toward underestimation.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *RATIONALE:* | Feedback: One of the reasons why project cost estimates are very inaccurate is because human beings are biased toward underestimation. It is thus important for project managers and top management to review estimates and ask important questions to make sure the estimates are not biased. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.298-299 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 21. It is important for project managers to understand that every cost estimate is unique.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *RATIONALE:* | Feedback: Every cost estimate is unique, just as every project is unique. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.299 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 22. Determining the budget involves allocating the project cost estimate to individual work items over time.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *RATIONALE:* | Feedback: Determining the budget involves allocating the project cost estimate to individual material resources or work items over time. These material resources or work items are based on the activities in the work breakdown structure for the project. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.305 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.52 - LO: 7-5 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Determining the Budget | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 23. The project management plan and project funding requirements are inputs of the process of controlling costs.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *RATIONALE:* | Feedback: The project management plan, project funding requirements, work performance data, and organizational process assets are inputs for controlling costs. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.306-307 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 24. The formulas for variances and indexes start with EV, the earned value.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *RATIONALE:* | Feedback: The formulas for variances and indexes start with EV, the earned value. Variances are calculated by subtracting the actual cost or planned value from EV, and indexes are calculated by dividing EV by the actual cost or planned value. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.308 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 25. If cost variance is a positive number, it means that performing the work costs more than planned.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *RATIONALE:* | Feedback: Cost variance (CV) is the earned value minus the actual cost. If cost variance is a negative number, it means that performing the work costs more than planned. If cost variance is a positive number, performing the work costs less than planned. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.308 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 26. A negative schedule variance means that it took less time than planned to perform the work.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *RATIONALE:* | Feedback: A negative schedule variance means that it took longer than planned to perform the work, and a positive schedule variance means that the work took less time than planned to perform. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.308 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 27. If the cost performance index (CPI) is less than 100 percent, the project is under budget.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *RATIONALE:* | Feedback: If the CPI is less than one or less than 100 percent, the project is over budget. On the other hand, if the CPI is greater than one or more than 100 percent, the project is under budget. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.309 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 28. A schedule performance index of one means that the project is on schedule.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *RATIONALE:* | Feedback: The schedule performance index (SPI) is the ratio of earned value to planned value; it can be used to estimate the projected time to complete the project. A schedule performance index of one means the project is on schedule. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.309 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 29. In an earned value chart, when the actual cost line is right on or above the earned value line, it indicates that costs are less than planned.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *RATIONALE:* | Feedback: Viewing earned value information in chart form helps in visualizing how a project is performing. If the actual cost line is always on or above the earned value line, it indicates that costs are equal to or more than planned. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.310 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 30. Spreadsheets are a common tool for cost estimating, cost budgeting, and cost control.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *RATIONALE:* | Feedback: Most organizations use software to assist in various activities related to project cost management. Spreadsheets are a common tool for cost estimating, cost budgeting, and cost control. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.314 | | *QUESTION TYPE:* | True / False | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.54 - LO: 7-7 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Using Project Management Software to assist In Project Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 31. Which process involves developing an approximation of the costs of resources needed to complete a project?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | determining the budget | b. | finalising the cost baseline | |  | c. | controlling costs | d. | estimating costs |  |  |  | | --- | --- | | *ANSWER:* | d | | *RATIONALE:* | Feedback: Estimating costs involves developing an approximation or estimate of the costs of the resources needed to complete a project. The main outputs of the cost estimating process are activity cost estimates, basis of estimates, and project documents updates. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.288 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.48 - LO: 7-1 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | The Importance of Project Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 32. What type of management includes the processes required to ensure that a project team completes a project within an approved budget?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | project scope management | b. | project quality management | |  | c. | project time management | d. | project cost management |  |  |  | | --- | --- | | *ANSWER:* | d | | *RATIONALE:* | Feedback: Project cost management includes the processes required to ensure that a project team completes a project within an approved budget. Project managers must make sure their projects are well defined, have accurate time and cost estimates, and have a realistic budget that they were involved in approving. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.288 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.48 - LO: 7-1 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | The Importance of Project Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 33. Which process involves allocating the overall cost estimate to individual work items to establish a baseline for measuring performance?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | determining the budget | b. | finalizing policies for project costs | |  | c. | controlling costs | d. | estimating costs |  |  |  | | --- | --- | | *ANSWER:* | a | | *RATIONALE:* | Feedback: Determining the budget involves allocating the overall cost estimate to individual work items to establish a baseline for measuring performance. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.288 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.48 - LO: 7-1 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | The Importance of Project Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 34. Which process results in a cost baseline as a main output?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | cost controlling | b. | cost estimating | |  | c. | cost budgeting | d. | cost planning |  |  |  | | --- | --- | | *ANSWER:* | c | | *RATIONALE:* | Feedback: Determining the budget involves allocating the overall cost estimate to individual work items to establish a baseline for measuring performance. The main outputs of the cost budgeting process are a cost baseline, project funding requirements, and project documents updates. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.288 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.48 - LO: 7-1 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | The Importance of Project Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 35. What does the process of controlling costs primarily involve?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | determining the policies for project costs | b. | managing changes to the project budget | |  | c. | finalising the procedures for project costs | d. | determining a basis for estimates |  |  |  | | --- | --- | | *ANSWER:* | b | | *RATIONALE:* | Feedback: Controlling costs involves controlling changes to the project budget. The main outputs of the cost control process are work performance information, cost forecasts, change requests, project management plan updates, project documents updates, and organizational process assets updates. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.288 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.48 - LO: 7-1 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | The Importance of Project Cost Management | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 36. Work performance information and cost forecasts are main outputs of which process?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | cost budgeting | b. | cost estimating | |  | c. | cost control | d. | cost pricing |  |  |  | | --- | --- | | *ANSWER:* | c | | *RATIONALE:* | Feedback: Controlling costs involves controlling changes to the project budget. The main outputs of the cost control process are work performance information, cost forecasts, change requests, project management plan updates, project documents updates, and organizational process assets updates. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.288 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.48 - LO: 7-1 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | The Importance of Project Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 37. Which process helps develop an accurate projection of a project’s financial expenses and benefits?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | critical path analysis | b. | fast tracking | |  | c. | life cycle costing | d. | crashing |  |  |  | | --- | --- | | *ANSWER:* | c | | *RATIONALE:* | Feedback: Life cycle costing helps develop an accurate projection of a project’s financial costs and benefits. It allows one to see a big-picture view of the cost of a project throughout its life cycle. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.290 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 38. How are profits best defined?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | expenses plus net income | b. | costs plus revenues | |  | c. | revenues plus expenses | d. | revenues minus expenditures |  |  |  | | --- | --- | | *ANSWER:* | d | | *RATIONALE:* | Feedback: Profits are revenues minus expenditures. To increase profits, a company can increase revenues, decrease expenses, or try to do both. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty:Easy | | *REFERENCES:* | p.290 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 39. Which method is used for determining the estimated annual costs and benefits for a project?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | Critical path analysis | b. | Cash flow analysis | |  | c. | Present value analysis | d. | Requirements analysis |  |  |  | | --- | --- | | *ANSWER:* | b | | *RATIONALE:* | Feedback: Cash flow analysis is a method for determining the estimated annual costs and benefits for a project and the resulting annual cash flow. Project managers must conduct cash flow analysis to determine net present value. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.292 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 40. Which statement is true of tangible costs?   |  |  |  | | --- | --- | --- | |  | a. | They cannot be calculated in monetary terms. | |  | b. | They can be easily measured. | |  | c. | They are difficult to quantify. | |  | d. | Their examples include goodwill and prestige. |  |  |  | | --- | --- | | *ANSWER:* | b | | *RATIONALE:* | Feedback: Tangible and intangible costs and benefits are categories for determining how well an organization can define the estimated costs and benefits for a project. Tangible costs or benefits can easily be measured in dollars. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.292 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 41. Which costs are difficult to measure in monetary terms?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | Intangible costs | b. | Direct costs | |  | c. | Tangible costs | d. | Fixed costs |  |  |  | | --- | --- | | *ANSWER:* | a | | *RATIONALE:* | Feedback: Intangible costs or benefits are difficult to measure in monetary terms. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.292 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 42. Newtech Inc. hires John for the position of a software programmer to work on their new project. Salary paid to John by Newtech Inc. would be an example of which type of costs?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | direct | b. | indirect | |  | c. | sunk | d. | intangible |  |  |  | | --- | --- | | *ANSWER:* | a | | *RATIONALE:* | Feedback: Direct costs can be directly related to creating the products and services of a project. For instance, direct costs include the salaries of people working full time on a project. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.292 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Reflective Thinking | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 43. Which statement is true regarding indirect costs?   |  |  |  | | --- | --- | --- | |  | a. | directly related to performing the project. | |  | b. | those that cannot be allocated to projects. | |  | c. | those that can be easily controlled by managers. | |  | d. | not directly related to the products or services of a project. |  |  |  | | --- | --- | | *ANSWER:* | d | | *RATIONALE:* | Feedback: Indirect costs are not directly related to the products or services of the project, but are indirectly related to performing the project. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.292 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 44. Soles is a footwear company which has recently set up its store in Ambrosia. To manufacture its products, Soles incurs a range of different costs. Which would be an example of an indirect cost?   |  |  |  | | --- | --- | --- | |  | a. | Cost of machines to produce shoes | |  | b. | Salary paid to factory workers | |  | c. | Electricity used to run its factories | |  | d. | Cost of leather used to manufacture shoes |  |  |  | | --- | --- | | *ANSWER:* | c | | *RATIONALE:* | Feedback: Indirect costs are not directly related to the products or services of the project, but are indirectly related to performing the project. For example, indirect costs would include the cost of electricity, paper towels, and other necessities in a large building that houses 1,000 employees who work on many projects. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.292 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Reflective Thinking | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 45. Good Earth, a company manufacturing packaged food products, sets up its stores in Baltonia. However, a year later, the company closes the store down due to high operating costs. In such a scenario, the money spent in paying for the rent of the store in Baltonia would be an example of which costs?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | recurring | b. | direct | |  | c. | sunk | d. | intangible |  |  |  | | --- | --- | | *ANSWER:* | c | | *RATIONALE:* | Feedback: Sunk cost is money that has been spent in the past. When deciding what projects to invest in or continue, one should not include sunk costs. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.292 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Reflective Thinking | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 46. Which statement is true of contingency reserves?   |  |  |  | | --- | --- | --- | |  | a. | They allow for future situations that can be partially planned for. | |  | b. | They are also known as unknown unknowns. | |  | c. | They are not included in a cost baseline. | |  | d. | They allow for dollar amounts to be used to cover existing, fixed costs. |  |  |  | | --- | --- | | *ANSWER:* | a | | *RATIONALE:* | Feedback: Contingency reserves allow for future situations that may be partially planned for (sometimes called known unknowns) and are included in the project cost baseline. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.293 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 47. Which reserves allow for future situations that are unpredictable?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | Contingency reserves | b. | Management reserves | |  | c. | Known unknowns | d. | Cost baseline reserves |  |  |  | | --- | --- | | *ANSWER:* | b | | *RATIONALE:* | Feedback: Management reserves allow for future situations that are unpredictable. They are sometimes called unknown unknowns. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.293 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 48. What is the first step in project cost management?   |  |  |  | | --- | --- | --- | |  | a. | allocate project cost estimates to individual material resources | |  | b. | plan how costs will be managed | |  | c. | control project costs and monitor cost performance | |  | d. | develop several estimates of costs for different types of resources |  |  |  | | --- | --- | | *ANSWER:* | b | | *RATIONALE:* | Feedback: The first step in project cost management is planning how the costs will be managed throughout the life of the project. The project manager and other stakeholders use expert judgment, analytical techniques, and meetings to produce the cost management plan. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.294 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.50 - LO: 7-3 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Planning Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 49. Which statement is true of a order of magnitude estimate?   |  |  |  | | --- | --- | --- | |  | a. | It is used to allocate money into an organization’s budget. | |  | b. | It provides an estimate of what a project will cost. | |  | c. | Its timeframe is always less than a year prior to project completion. | |  | d. | It is a type of estimate that is done in the final stages of a project. |  |  |  | | --- | --- | | *ANSWER:* | b | | *RATIONALE:* | Feedback: A rough order of magnitude (ROM) estimate provides an estimate of what a project will cost. This type of estimate is done very early in a project or even before a project is officially started. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.295 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: o Reflective Thinking - BUSPROG: Analytic skills: Statistics and Management Science | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 50. What is a rough order of magnitude estimate also referred to as?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | definitive | b. | budgetary | |  | c. | final | d. | ballpark |  |  |  | | --- | --- | | *ANSWER:* | d | | *RATIONALE:* | Feedback: A rough order of magnitude (ROM) estimate provides an estimate of what a project will cost. A ROM estimate can also be referred to as a ballpark estimate, a guesstimate, a swag, or a broad gauge. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.295 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 51. What type of estimate is a cost estimation tool used to allocate money into an organization’s budget?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | budgetary | b. | definitive | |  | c. | rough order of magnitude | d. | ballpark |  |  |  | | --- | --- | | *ANSWER:* | a | | *RATIONALE:* | Feedback: A budgetary estimate is used to allocate money into an organization’s budget. Budgetary estimates are made one to two years prior to project completion. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.295 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 52. What type of estimate is used for making many purchasing decisions for which accurate estimates are required and for estimating final project costs?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | budgetary | b. | definitive | |  | c. | rough order of magnitude | d. | final |  |  |  | | --- | --- | | *ANSWER:* | b | | *RATIONALE:* | Feedback: A definitive estimate provides an accurate estimate of project costs. Definitive estimates are used for making many purchasing decisions for which accurate estimates are required and for estimating final project costs. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.295 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 53. Which type of estimate uses the actual cost of a previous, similar project as the basis for estimating the cost of the current project?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | definitive estimates | b. | parametric estimates | |  | c. | bottom-up estimates | d. | analogous estimates |  |  |  | | --- | --- | | *ANSWER:* | d | | *RATIONALE:* | Feedback: Analogous estimates use the actual cost of a previous, similar project as the basis for estimating the cost of the current project. This technique requires a good deal of expert judgment and is generally less costly than other techniques, but it is also less accurate. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.297 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 54. What term is used for analogous estimates?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | bottom-up | b. | top-down | |  | c. | parametric | d. | budgetary |  |  |  | | --- | --- | | *ANSWER:* | b | | *RATIONALE:* | Feedback: Analogous estimates use the actual cost of a previous, similar project as the basis for estimating the cost of the current project. They are also called top-down estimates. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.297 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 55. Which statement is true of analogous estimates?   |  |  |  | | --- | --- | --- | |  | a. | Their main disadvantage is that they cost more than other techniques. | |  | b. | They are the only technique which do not require expert judgement. | |  | c. | They are most reliable when previous projects are similar in fact with current projects. | |  | d. | They use project characteristics in a mathematical model to estimate project costs. |  |  |  | | --- | --- | | *ANSWER:* | c | | *RATIONALE:* | Feedback: Analogous estimates use the actual cost of a previous, similar project as the basis for estimating the cost of the current project. They are most reliable when the previous projects are similar in fact, not just in appearance. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.297 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 56. What type of estimate is a cost estimation tool that involves estimating individual work items or activities and summing them to get a project total?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | budgetary | b. | parametric | |  | c. | bottom-up | d. | analogous |  |  |  | | --- | --- | | *ANSWER:* | c | | *RATIONALE:* | Feedback: Bottom-up estimates involve estimating the costs of individual work items or activities and summing them to get a project total. This approach is sometimes referred to as activity-based costing. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.297 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 57. Which statement is true of bottom-up estimates?   |  |  |  | | --- | --- | --- | |  | a. | They are based on the actual cost of a previous, similar project. | |  | b. | They are also known as parametric estimating. | |  | c. | They are most accurate when they involve large, extensive work items. | |  | d. | They are time-intensive and expensive to develop. |  |  |  | | --- | --- | | *ANSWER:* | d | | *RATIONALE:* | Feedback: Bottom-up estimates involve estimating the costs of individual work items or activities and summing them to get a project total. The drawback with bottom-up estimates is that they are usually time-intensive and therefore expensive to develop. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.297 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 58. Which type of estimating uses project characteristics in a mathematical model to estimate project costs?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | rough order of magnitude estimating | b. | parametric | |  | c. | bottom-up | d. | analogous |  |  |  | | --- | --- | | *ANSWER:* | b | | *RATIONALE:* | Feedback: Parametric estimating uses project characteristics (parameters) in a mathematical model to estimate project costs. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.298 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 59. Which is most likely to be a reason for inaccuracies in information technology cost estimates?   |  |  |  | | --- | --- | --- | |  | a. | Estimates take a long time to be worked out. | |  | b. | People lack estimating experience. | |  | c. | Human beings are biased toward overestimation. | |  | d. | Only software development provides the scope for estimates to be accurate. |  |  |  | | --- | --- | | *ANSWER:* | b | | *RATIONALE:* | Feedback: The people who develop software cost estimates often do not have much experience with cost estimation, especially for large projects. They also do not have enough accurate, reliable project data on which to base estimates. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.298 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 60. Which type of estimate should be used if the cost estimate for a project is used a basis for contract awards and performance reporting?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | budgetary | b. | definitive | |  | c. | rough order of magnitude | d. | analogous |  |  |  | | --- | --- | | *ANSWER:* | b | | *RATIONALE:* | Feedback: If the cost estimate for a project is a basis for contract awards and performance reporting, it should be a definitive estimate and as accurate as possible. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.299 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 61. The main goal of which process is to produce a cost baseline for measuring project performance and project funding requirements?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | cost budgeting | b. | cost planning | |  | c. | cost controlling | d. | cost estimating |  |  |  | | --- | --- | | *ANSWER:* | a | | *RATIONALE:* | Feedback: The main goal of the cost budgeting process is to produce a cost baseline for measuring project performance and to determine project funding requirements. Determining the budget involves allocating the project cost estimate to individual material resources or work items over time. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.305 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.52 - LO: 7-5 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Determining the Budget | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 62. Which is an output of the process of controlling costs?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | cost forecasts | b. | project funding requirements | |  | c. | basis of estimates | d. | scope baselines |  |  |  | | --- | --- | | *ANSWER:* | a | | *RATIONALE:* | Feedback: Outputs of the process of controlling costs are work performance information, cost forecasts, change requests, project management plan updates, project documents updates, and organizational process asset updates. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.307 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 63. Which is an input of the process of controlling costs?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | cost forecasts | b. | work performance data | |  | c. | change requests | d. | scope baseline |  |  |  | | --- | --- | | *ANSWER:* | b | | *RATIONALE:* | Feedback: The project management plan, project funding requirements, work performance data, and organizational process assets are inputs for controlling costs. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.306-307 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 64. What is another term used for budget?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | earned value | b. | actual cost | |  | c. | indirect cost | d. | planned value |  |  |  | | --- | --- | | *ANSWER:* | d | | *RATIONALE:* | Feedback: The planned value (PV), also called the budget, is the portion of the approved total cost estimate planned to be spent on an activity during a given period. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.307 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 65. Which is true of earned value?   |  |  |  | | --- | --- | --- | |  | a. | It is the actual cost plus the planned cost. | |  | b. | It is based solely on the total cost estimate to be spent on an activity. | |  | c. | It is an estimate of the value of the physical work actually completed. | |  | d. | It is also known as the planned value. |  |  |  | | --- | --- | | *ANSWER:* | c | | *RATIONALE:* | Feedback: The earned value (EV) is an estimate of the value of the physical work actually completed. EV is based on the original planned costs for the project or activity and the rate at which the team is completing work on the project or activity to date. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.307 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 66. Variances are calculated by subtracting the actual cost from which value?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | a. | earned value | b. | schedule variance | |  | c. | planned value | d. | rate of performance |  |  |  | | --- | --- | | *ANSWER:* | a | | *RATIONALE:* | Feedback: Variances are calculated by subtracting the actual cost or planned value from EV or earned value, and indexes are calculated by dividing EV by the actual cost or planned value. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.308 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 67. Which statement best defines cost variance?   |  |  |  | | --- | --- | --- | |  | a. | planned value plus actual costs | |  | b. | earned value minus the actual cost | |  | c. | rate of performance minus earned value | |  | d. | planned value minus the rate of performance |  |  |  | | --- | --- | | *ANSWER:* | b | | *RATIONALE:* | Feedback: Cost variance (CV) is the earned value minus the actual cost. If cost variance is a negative number, it means that performing the work costs more than planned. If cost variance is a positive number, performing the work costs less than planned. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.308 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 68. Which statement best defines schedule variance?   |  |  |  | | --- | --- | --- | |  | a. | earned value minus the planned value | |  | b. | earned value minus the actual cost | |  | c. | planned value plus the earned value | |  | d. | planned value plus the rate of performance |  |  |  | | --- | --- | | *ANSWER:* | a | | *RATIONALE:* | Feedback: Schedule variance (SV) is the earned value minus the planned value. A negative schedule variance means that it took longer than planned to perform the work, and a positive schedule variance means that the work took less time than planned to perform. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.308 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 69. What is the purpose of a cost performance index (CPI)?   |  |  |  | | --- | --- | --- | |  | a. | indicate that a project is under budget if CPI is less than one | |  | b. | estimate the projected cost of completing the project | |  | c. | indicate that the planned and actual costs are equal if CPI is more than one | |  | d. | estimate the ratio of earned value to planned value |  |  |  | | --- | --- | | *ANSWER:* | b | | *RATIONALE:* | Feedback: The cost performance index (CPI) is the ratio of earned value to actual cost; it can be used to estimate the projected cost of completing the project. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.309 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 70. Which is true of the schedule performance index (SPI)?   |  |  |  | | --- | --- | --- | |  | a. | It can be used to estimate the projected time to complete the project. | |  | b. | It means that a project is behind schedule if an SPI is greater than one. | |  | c. | It means that a project is ahead of schedule if SPI is lesser than one or hundred percent. | |  | d. | It is the ratio of planned value to actual costs. |  |  |  | | --- | --- | | *ANSWER:* | a | | *RATIONALE:* | Feedback: The schedule performance index (SPI) is the ratio of earned value to planned value; it can be used to estimate the projected time to complete the project. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.309 | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 71. The additional percentage or dollar amount by which actual costs exceed estimates is known as a(n) \_\_\_\_\_.   |  |  | | --- | --- | | *ANSWER:* | overrun | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.286 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.48 - LO: 7-1 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | The Importance of Project Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 72. Accountants define \_\_\_\_\_ as a resource sacrificed or foregone to to achieve a specific objective.   |  |  | | --- | --- | | *ANSWER:* | cost | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.287 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.48 - LO: 7-1 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | The Importance of Project Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 73. The main output of the planning cost management process is a(n) \_\_\_\_\_.   |  |  | | --- | --- | | *ANSWER:* | cost management plan | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.288 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.48 - LO: 7-1 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | The Importance of Project Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 74. The main outputs of the \_\_\_\_\_ process are activity cost estimates, basis of estimates, and project document updates.   |  |  | | --- | --- | | *ANSWER:* | cost estimating | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.288 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.48 - LO: 7-1 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | The Importance of Project Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 75. The main outputs of the \_\_\_\_\_ process are a cost performance baseline, project funding requirements, and project document updates.   |  |  | | --- | --- | | *ANSWER:* | cost budgeting | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.288 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.48 - LO: 7-1 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | The Importance of Project Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 76. \_\_\_\_\_ are revenues minus expenditures.   |  |  | | --- | --- | | *ANSWER:* | Profits | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.290 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 77. \_\_\_\_\_ costing helps to see a big-picture view of the cost of a project throughout its life cycle.   |  |  | | --- | --- | | *ANSWER:* | Life cycle | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.290 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 78. \_\_\_\_\_ costing considers the total cost of ownership, or development plus support costs, for a project.   |  |  | | --- | --- | | *ANSWER:* | Life cycle | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.290 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 79. Project managers must conduct cash flow analysis to determine \_\_\_\_\_.   |  |  | | --- | --- | | *ANSWER:* | net present value | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.292 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 80. \_\_\_\_\_ theory states that when many items are produced repetitively, the unit cost of those items decreases in a regular pattern as more units are produced.   |  |  | | --- | --- | | *ANSWER:* | Learning curve | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.293 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 81. Project costs, like project schedules, grow out of the basic documents that initiate a project, like the \_\_\_\_\_.   |  |  | | --- | --- | | *ANSWER:* | project charter | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.294 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.50 - LO: 7-3 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Planning Cost Management | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 82. A(n) \_\_\_\_\_ estimate is done very early in a project or even before a project is officially started.   |  |  | | --- | --- | | *ANSWER:* | rough order of magnitude (ROM)  ROM  rough order of magnitude | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.295 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 83. The time frame for a(n) \_\_\_\_\_ estimate is often three or more years prior to project completion.   |  |  | | --- | --- | | *ANSWER:* | rough order of magnitude (ROM)  ROM  rough order of magnitude  ​ | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.295 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 84. In practice, many people find that using a combination or hybrid approach involving analogous, bottom up, and/or parametric modeling provides the best \_\_\_\_\_.   |  |  | | --- | --- | | *ANSWER:* | cost estimates | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.298 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 85. \_\_\_\_\_\_\_\_ are a means of measuring software size based on what the software does for end users.   |  |  | | --- | --- | | *ANSWER:* | Function points | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.301 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 86. A(n) \_\_\_\_\_ is a time-phased budget that project managers use to measure and monitor cost performance.   |  |  | | --- | --- | | *ANSWER:* | cost baseline | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.305 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.52 - LO: 7-5 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Determining the Budget | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 87. A cost management plan is a subsidiary of the \_\_\_\_\_ plan.   |  |  | | --- | --- | | *ANSWER:* | project management | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.306 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.52 - LO: 7-5 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Determining the Budget | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 88. In addition to providing input for budgetary estimates, the process of \_\_\_\_\_ provides a cost baseline.   |  |  | | --- | --- | | *ANSWER:* | cost budgeting | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.305 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.52 - LO: 7-5 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Determining the Budget | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 89. \_\_\_\_\_ is a project performance measurement technique that integrates scope, time, and cost data.   |  |  | | --- | --- | | *ANSWER:* | Earned value management  EVM  Earned value management (EVM) | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.307 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 90. The cost incurred for the work performed on an activity during a specific time period is known as the \_\_\_\_\_.   |  |  | | --- | --- | | *ANSWER:* | actual cost  AC  actual cost (AC) | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.307 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 91. The \_\_\_\_\_ is the measure of work performed expressed in terms of the budget authorized for that work.   |  |  | | --- | --- | | *ANSWER:* | earned value  EV  earned value (EV) | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.307 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 92. The \_\_\_\_\_ index is the ratio of earned value to planned value.   |  |  | | --- | --- | | *ANSWER:* | schedule performance | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.309 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 93. The cost performance index can be used to calculate the \_\_\_\_\_ which gives an approximate cost of completing a project based on performance to date.   |  |  | | --- | --- | | *ANSWER:* | estimate at completion  EAC  estimate at completion (EAC) | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Easy | | *REFERENCES:* | p.309 | | *QUESTION TYPE:* | Completion | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 94. List and briefly describe the four project cost management processes.   |  |  | | --- | --- | | *ANSWER:* | The four processes for project cost management are as follows:  (1) 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.  (2) Estimating costs involves developing an approximation or estimate of the costs of the resources needed to complete a project. The main outputs of the cost estimating process are activity cost estimates, basis of estimates, and project document updates.  (3) Determining the budget involves allocating the overall cost estimate to individual work items to establish a baseline for measuring performance. The main outputs of the cost budgeting process are a cost baseline, project funding requirements, and project document updates.  (4) Controlling costs involves controlling changes to the project budget. The main outputs of the cost control process are work performance information, cost forecasts, change requests, project management plan updates, project documents updates, and organizational process assets updates. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.288 | | *QUESTION TYPE:* | Essay | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.48 - LO: 7-1 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | The Importance of Project Cost Management | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 95. What are tangible and intangible costs? Distinguish between direct and indirect costs and give examples of each.   |  |  | | --- | --- | | *ANSWER:* | Tangible and intangible costs and benefits are categories for determining how well an organization can define the estimated costs and benefits for a project. Tangible costs or benefits are those costs or benefits that an organization can easily measure in dollars.  Conversely, intangible costs or benefits are costs or benefits that are difficult to measure in monetary terms. Intangible benefits for projects often include items like goodwill, prestige, and general statements of improved productivity that an organization cannot easily translate into dollar amounts. Because intangible costs and benefits are difficult to quantify, they are often harder to justify.  Direct costs are costs that can be directly related to producing the products and services of the project. One can attribute direct costs directly to a certain project. Project managers should focus on direct costs, since they can control them. For example, direct costs include the salaries of people working full time on the project and the cost of hardware and software purchased specifically for the project. Indirect costs are costs that are not directly related to the products or services of the project, but are indirectly related to performing the project. For example, the cost of electricity, paper towels, and so on in a large building housing a thousand employees who work on many projects would be indirect costs. Indirect costs are allocated to projects, and project managers have very little control over them. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.292 | | *QUESTION TYPE:* | Essay | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.49 - LO: 7-2 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Basic Principles of Cost Management | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 96. What are the three basic types of cost estimating? Describe each type.   |  |  | | --- | --- | | *ANSWER:* | The three basic types of cost estimating are as follows:  ​  (1) A rough order of magnitude (ROM) estimate provides an estimate of what a project will cost. This type of estimate is done very early in a project or even before a project is officially started. Project managers and top management use this estimate to help make project selection decisions. The timeframe for this type of estimate is often three or more years prior to project completion. A ROM estimate’s accuracy is typically –50 percent to +100 percent, which means that the project’s actual costs could be 50 percent below the ROM estimate or 100 percent above. For information technology project estimates, this accuracy range is often much wider.  ​  (2) A budgetary estimate is used to allocate money into an organization’s budget. Many organizations develop budgets at least two years into the future. Budgetary estimates are made one to two years prior to project completion. The accuracy of budgetary estimates is typically –10 percent to +25 percent, meaning the actual costs could be 10 percent less or 25 percent more than the budgetary estimate.  ​  (3) A definitive estimate provides an accurate estimate of project costs. Definitive estimates are used for making many purchasing decisions for which accurate estimates are required and for estimating final project costs. Definitive estimates are made one year or less prior to project completion. A definitive estimate should be the most accurate of the three types of estimates. The accuracy of this type of estimate is normally –5 percent to +10 percent, meaning the actual costs could be 5 percent less or 10 percent more than the definitive estimate. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.295 | | *QUESTION TYPE:* | Essay | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 97. Describe three tools used in developing a good cost estimate.   |  |  | | --- | --- | | *ANSWER:* | Several tools and techniques can be used to create a cost estimate. Three of such tools are as follows:  ​  (1) Analogous estimates use the actual cost of a previous, similar project as the basis for estimating the cost of the current project. This technique requires a good deal of expert judgment and is generally less costly than other techniques, but it is also less accurate. Analogous estimates are most reliable when the previous projects are similar in fact, not just in appearance. In addition, the groups preparing cost estimates must have the needed expertise to determine whether certain parts of the project will be more or less expensive than analogous projects.  ​  (2) Bottom-up estimates involve estimating the costs of individual work items or activities and summing them to get a project total. This approach is sometimes referred to as activity-based costing. The size of the individual work items and the experience of the estimators drive the accuracy of the estimates. Using smaller work items increases the accuracy of the cost estimate because the people assigned to do the work develop the cost estimate instead of someone unfamiliar with the work. The drawback with bottom-up estimates is that they are usually time-intensive and therefore expensive to develop.  ​  (3)Three-point estimates involve estimating the most likely, optimistic, and pessimistic costs for items.  ​  (4) Parametric estimating uses project characteristics (parameters) in a mathematical model to estimate project costs. Parametric models are most reliable when the historical information used to create the model is accurate, the parameters are readily quantifiable, and the model is flexible in terms of the project’s size. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.297-298 | | *QUESTION TYPE:* | Essay | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.51 - LO: 7-4 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Estimating Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |

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| 98. Earned value management involves calculating three values for each activity or summary activity from a project’s WBS. Describe each of these three values with examples.   |  |  | | --- | --- | | *ANSWER:* | (1) The planned value (PV) is the authorized budget assigned to scheduled work. Suppose that a project included a summary activity of purchasing and installing a new web server. Suppose further that, according to the plan, it would take one week and cost a total of $10,000 for the labor hours, hardware, and software. Therefore, the planned value (PV) for the activity that week is $10,000. (2) The actual cost (AC) is the realized cost incurred for the work performed on an activity during a specific time period. For example, suppose that it actually took two weeks and cost $20,000 to purchase and install the new web server. Assume that $15,000 of these actual costs were incurred during Week 1 and $5,000 was incurred during Week 2. These amounts are the actual cost (AC) for the activity each week. (3) The earned value (EV) is the measure of work performed expressed in terms of the budget authorized for that work. It cannot be greater than the authorized PV budget for a component as it is calculated as the sum of the PV of the completed work. | | *POINTS:* | 1 | | *DIFFICULTY:* | Difficulty: Moderate | | *REFERENCES:* | p.307 | | *QUESTION TYPE:* | Essay | | *HAS VARIABLES:* | False | | *LEARNING OBJECTIVES:* | INFO.SCHW.14.53 - LO: 7-6 | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic | | *TOPICS:* | Controlling Costs | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 4/27/2018 3:50 PM | | *DATE MODIFIED:* | 6/6/2018 6:03 PM | |