**Lesson 1: Theoretical Part**

**What is Cost Management?**

Cost Management is the process that establishes the policies, procedures, and documentation for planning, managing, expending, and controlling project costs. (PMBOK)

Estimate Costs

Determine Budget

Control Costs

**Estimate Costs**

Cost Types:

**Direct**

All the costs that are linked to the project’s activities directly like material costs that are subject to the variable quantities in the project.

**Indirect**

All the costs that are not linked with the project’s activities directly, like mobilization, office preparation, taxes, telephones.

**Tools and Techniques**

**Analogous Estimating**

* + Use data from **old project** for **same activity**
  + Activity should be **same quantity**
  + Used when we **don’t have a lot of information**
  + **Pros**: Low cost and Time
  + **Cons**: Lack of Accuracy

**Parametric Estimating**

* + Depends on **unit estimate**
  + Like square meter cost in construction
  + Used when we **know more information** about the project
  + Higher Accuracy

**Three-Point Estimating**

**Depend on PERT Technique:**

CO: Optimistic CP: Pessimistic CM: Most Likely

Triangular Distribution

Peta Distribution