Assignment 2
Due Date: Thursday 21st May

Cost Management

Task 1:

Prepare a one-page cost estimate for the project described in Assignment 1, similar to the models provided in lectures and tutorials.

Initial estimates suggest that about $500,000 are budgeted for this project. You will need two information technology professionals, two marketing specialists, and one purchasing specialist on your internal project team.

Building on your WBS from Assignment 1, choose **at least 12 items** for cost estimation (you can add items if needed, and you may simplify if you have more). Assume a labor rate of $110/hour for the project manager and $70/hour for other project team members. [*6 points*]

Using the created cost estimate, **prepare a cost baseline** by allocating the costs per item for each month of the project (REMEMBER: It is a 6 months-project). [*4 points*]

Task 2:

Recall that PV is the planned value, EV is the earned value, AC is the actual cost, and BAC is the budget at completion. For the purpose of this assignment, calculate these variables as follows, based on the <u>c</u>hecksum of <u>y</u>our <u>ID</u> (*CYID*):

$$PV = EGP\ 3000 * CYID$$

$$EV = EGP\ 2900 * (CYID + 8)$$

$$AC = EGP\ 3200 * (CYID - 5)$$

$$BAC = EGP\ 18000 * CYID$$

e.g.: ID 1=40-1234   ID 2= 40-9876   **CYID=** 1+2+3+4+9+8+7+6   (Make sure to include **all** the IDs of all team members)

Given the above information for a 6-months project, answer the below questions [*2 points each*]:

a. What is the cost variance, schedule variance, cost performance index (CPI), and schedule performance index (SPI) for the project?

b. How is the project doing? Is it ahead of schedule or behind schedule? Is it under budget or over budget?

c. Use the CPI to calculate the estimate at completion (EAC) for this project. Is the project performing better or worse than planned?

d. Use the SPI to estimate how long it will take to finish this project.

e. Sketch the earned value chart for this project on **graph paper** (You can draw it by hand and scan it for submission).