



Semester: VIII

Subject: Project Management

Academic Year: 2024-2025

* Key Components of Cost Estimation:-

There are two types of costs addressed by the cost estimation process.

1) Direct Costs: These are the costs associated with a single area, such as a department or particular project itself.
ex. fixed labor, materials & equipment.

2) Indirect Costs:- They are not associated with a specific cost & are related to different projects simultaneously.
ex. cost incurred such as utilities, security & quality control.

* Project Cost Estimation techniques:-

① Analogous Estimating:-

- it uses historical data from similar projects as a basis for the cost estimate.
- estimate can be adjusted for known differences betn the projects.



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② Parametric Estimating:-

- Also known as statistical modeling
- it uses historical data of key cost drivers to calculate estimate for diff. parameters such as cost & duration.

③ Reserve Analysis:-

- If there is any possible ~~for~~ future situation or event, in which we need to allocate some cost, then how much cost should be allocated is reserve analysis.
- it comes under account for cost uncertainty.

④ Cost of Quality:-

- Includes money spent during the project to avoid failures & money spent during & after the project due to failures.

⑤ Top-Down Analysis:-

- Assumes overall budget is determined at the beginning of the project including cost of each work task or job.

⑥ Bottom-Up Analysis:-

- Cost is estimated at each activity level and then aggregated to summarize the project.