Cost Management Plan

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# 6.3 Cost Management Plan

# 6.3.1 Introduction

The Cost Management Plan will include the required resources and process of estimating and tracking the cost to keep expenses within the planned budget. Mabelle Aspeli, our Project Manager, will be responsible for managing and reporting on the project expenses throughout the project duration. She will also have the authority to make and approve changes to the project to bring it back within the budget. The Project Cost Performance will be measured using a set of formulas that integrate schedule, scope, and costs to measure project success. The Project Manager will review the cost deviations she will be presenting to the project sponsor, and she will also provide options for the project back on budget.

# 6.3.2 Cost Management Approach

To facilitate a cost management plan, the team will imitate the key components of the management approach, and these are:

* **Cost Planning** - The team will develop a comprehensive cost plan that includes budgeting, estimating costs for resources, and establishing cost baselines.
* **Cost Estimation** - The team will determine the expected costs of project activities, tasks, or resources using various techniques such as data analysis, expert judgment, and parametric estimation.
* **Cost Control -** The team will monitor and track costs against established baselines, identifying deviations and taking correctives within the planned limits.
* **Cost Analysis -** The team will analyze cost data to identify trends, patterns, and opportunities for cost reduction or optimization. This may involve conducting a cost-benefit analysis, or variance analysis.
* **Cost Optimization** - The team will seek ways to optimize costs by identifying cost-saving opportunities, improving efficiency, and exploring alternatives while considering the desired quality and performance.
* **Cost Reporting -** The team will generate regular reports and updates on cost performance, including actual costs incurred, forecasted costs, and variance analysis, to keep stakeholders informed and facilitate decision-making.
* **Risk Management:** The team will assess and manage potential risks that could impact costs, such as cost overruns, schedule delays, or changes in scope. Mitigation strategies are developed to minimize the impact of risks on project costs.

# 6.3.3 Measuring Project Costs

**Depreciated Value:**

* Assuming that the Useful Life in Years is 5 years until the equipment will not operate optimally, the Depreciation Rate of the item will be deducted 20% per year.
  + Example:

**Equipment Usage**

* Equipment usage is calculated similarly to renting the equipment used to accomplish the project. This is equated based on Depreciated Value, and Rental Rate. The Rental Rate is 10%, following the rate that the team has come up with to be received for rent.
  + Example:

**Labor**

* Labor is the measurement of how the team exerted its efforts on finishing the project. This is also known as Cost of Work Performed.
  + Example:

**Actual Cost**

* Actual Cost is how much the Service Provider is charging.
  + Example:
    - GoDaddy Web Hosting Economy = PhP5,988

# Reporting Format

1. **Executive Summary -** The Team will discuss the reason for creating the project and its objectives.
2. **Project Budget -** Acknowledging the costs expected and their limitations will determine how the project will perform, this will also set expectations.
3. **Project Status -** Determining if there are bottlenecks, seeing if the project is accomplishing its objectives, and what can be done for improvements.
4. **Milestones Achieved -** Keeping in record what the set milestones in the project will see its effectiveness.
5. **Project Variance -** This will discuss what other variables are affecting the project’s budget and the project itself.
6. **Setting New Milestones -** Creating new milestones for the project will predict its success and see what are other factors that control the project’s performance beyond what is documented.
7. **Approval -** After the success of the meeting, the team will determine what to pursue based on what was the outcome of the meeting. This will then help the team to accomplish the necessary steps based on what the client has provided and is expecting.

# Cost Variance Response Process

The team, alongside the Project Sponsor, has allowed a leeway of 20% of the total budget in preparation for unidentified costs. This is then subjected to approval before allocating the cost. Variables such us Service Down Time, Change of Platform, Change of Service Charge, and New Feature Implementations are some of the costs that can be overlooked. If the threshold set has been exceeded, the Team will conduct a corrective action to minimize overbudgeting. All of these will then be presented to the Project Sponsor and Product Owner during the Monthly Project Meeting. If the new budget has been approved, the team will implement the necessary steps for the Project best interest, but if not, the team will create new alternatives to meet the client’s expectations.

# Project Budget

Listed Below are the Project Budget and the detailed Computation:

A screenshot of a computer

Description automatically generated with medium confidence

A screenshot of a computer

Description automatically generated with medium confidence

# Sponsor Acceptance

Approved by the Project Sponsor:

Date:

<Project Sponsor>

<Project Sponsor Title>