Cost Management Plan

*Villamin Wood and Iron Works System*

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# 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 cost deviations she will be presenting to the project sponsor, and she will also provide options for the project back on budget.

# Cost Management Approach

In order 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.

# 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

Reporting on cost management will be included in the monthly project status report. The Monthly Project Status Report will include a section labeled, “Cost Management”. This section will contain the Earned Value Metrics identified in the previous section. All cost variances outside of the thresholds identified in this Cost Management Plan will be reported on including any corrective actions which are planned. Change Requests which are triggered based upon project cost overruns will be identified and tracked in this report.

# Cost Variance Response Process

This section of the Cost Management Plan defines the control thresholds for the project and what actions will be taken if the project triggers a control threshold. As a part of the response process the Project Manager typically presents options for corrective action to the Project Sponsor who will then approve an appropriate action to bring the project back on budget. The Project Manager may propose to increase the budget for the project, reduce scope or quality, or some other corrective action.

The Control Thresholds for this project are a CPI or SPI of less than 0.8 or greater than 1.2. If the project reaches one of these Control Thresholds a Cost Variance Corrective Action Plan is required. The Project Manager will present the Project Sponsor with options for corrective actions within five business days from when the cost variance is first reported. Within three business days from when the Project Sponsor selects a corrective action option, the Project Manager will present the Project Sponsor with a formal Cost Variance Corrective Action Plan. The Cost Variance Corrective Action Plan will detail the actions necessary to bring the project back within budget and how the effectiveness of the actions in the plan will be measured. Upon acceptance of the Cost Variance Corrective Action Plan, it will become a part of the project plan and the project will be updated to reflect the corrective actions.

# Cost Change Control Process

Typically, the change control process follows the project change control process. If there are special requirements for the cost change control process, they should be detailed in this section.

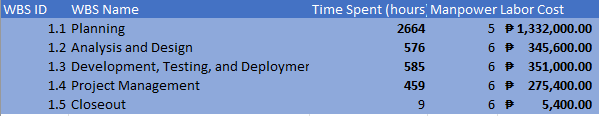
The cost change control process will follow the established project change request process. Approvals for project budget/cost changes must be approved by the project sponsor.

# 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 low confidence

# Sponsor Acceptance

Approved by the Project Sponsor:

Date:

<Project Sponsor>

<Project Sponsor Title>