

COST MANAGEMENT PLAN
BREGGHAN POINT OF SALE SYSTEM

BREGGHAN STORE
60 MT. MAKILING ST.
POST PROPER SOUHSIDE, MAKATI CITY

05/01/2023

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INTRODUCTION

The Cost Management Plan is developed to ensure effective management of project costs throughout the project's lifecycle. It outlines the procedures and guidelines for measuring, reporting, and controlling costs associated with the Bregghan Store Point of Sale System. This plan's purpose is to identify the cost management approach, roles and responsibilities, and procedures for managing costs consistently and effectively.

This plan is to establish a systematic method for efficiently overseeing and regulating the financial components of the POS (Point of Sale) system project. It empowers Bregghan to make well-informed choices, optimize the allocation of resources, and guarantee that the project is accomplished within the set budgetary limitations.

COST MANAGEMENT APPROACH

The cost management approach for the Bregghan Store POS project will be to ensure that all costs are identified and monitored throughout the project lifecycle. This will be done by tracking all costs associated with the project and comparing them against the project budget. Any deviations from the budget will be analyzed, and corrective action will be taken to keep costs within the approved budget.

The cost management approach for Bregghan Store POS System will be based on the following principles:

- a) Clear definition of costs
This will create and establish an estimate financial resource required for the POS system implementation. It ensures that all relevant expenses are identified and accounted for, enabling us to develop a realistic budget.
- b) Budget development and tracking
This involves creating a comprehensive budget plan that will help set clear financial parameters and constraints for the POS system project. It involves estimating the costs associated with hardware, software, licensing, implementation, training, maintenance, and any other relevant expenses. By defining the budget, this will determine the financial boundaries within which the project should be executed.

- c) Cost estimates
By having a clear understanding of the anticipated costs, this will evaluate different options, assess their financial feasibility, and select the most suitable solutions for the POS system.
- d) Cost variance analysis
Through the comparison of actual incurred costs and budgeted costs, this will evaluate the project's alignment with the intended financial plan. This assessment allows for a comprehensive understanding of the project's effective management of financial resources.
- e) Cost management roles and responsibilities
This guarantees that every team member understands their individual responsibilities in overseeing costs. With clearly defined roles, team members can actively participate in activities such as estimating costs, creating budgets, tracking expenses, and implementing cost control measures.
- f) Approval process for changes
By establishing an approval process, this can thoroughly assess and evaluate any suggested modifications to the project's scope, requirements, or budget to determine their potential cost implications. This structured approach enables a thorough examination of the financial consequences before proceeding with any changes.
- g) Reporting and communication
This allows for timely decision-making, as stakeholders can assess the financial health of the project and take necessary actions if deviations from the plan occur. Additionally, clear communication channels enable effective coordination and collaboration among team members, ensuring that everyone is aligned with the project's financial goals and responsibilities.

MEASURING PROJECT COSTS

The Cost Management Plan for the Bregghan POS System project will include a detailed approach for measuring project costs using Earned Value Management (EVM). This will include analyzing and reporting on various Earned Value metrics, such as:

The project team intends to assess the project's schedule performance by computing the Schedule Variance (SV) through subtracting the Planned Value (PV) from the Earned Value (EV). The Earned Value refers to the actual value obtained in the project, while the PV pertains to the value anticipated in the project plan for the current point. By considering the deviation between the planned and actual value, the project team can determine if the project is on schedule, ahead of schedule, or behind schedule, according to the baseline schedule in the project plan.

The team will determine the project's budget performance by calculating the Cost Variance (CV), obtained by subtracting Actual Costs (AC) from Earned Value (EV). EV represents the actual value earned in the project, while AC reflects the actual costs incurred to date. Therefore, by subtracting the actual costs from the EV, the team can determine whether the budget is above or below budget. If the CV is zero, it means the project is on budget. A CV greater than zero indicates that you are earning more value than planned, and the project is under budget.

The team will use Schedule Performance Index (SPI) to evaluate the actual progress made against the planned progress. It is calculated by dividing EV by PV. If the value of EV is equal to PV, then the SPI is 1. If EV is lower than PV, the SPI is less than 1, indicating the project is behind schedule. If EV is greater than PV, the SPI is greater than 1, indicating the project is ahead of schedule. An efficient project should have an SPI that is as close to 1 as possible, or even slightly below 1.

The team will utilize the Cost Performance Index (CPI) to contrast the value of completed work with the corresponding actual cost. The CPI is calculated using the formula EV/AC , with EV denoting the actual value achieved in the project and AC representing the total actual costs incurred thus far. If the CPI equals 1, the project is within the budgetary confines. If the CPI surpasses 1, the project is operating under the budget, while a CPI below 1 indicates that the project is exceeding the budget.

REPORTING FORMAT

The team will provide a structured and standardized way to communicate cost-related information within the project.

The report will include the following:

1. Earned Value Metrics

- Cost Performance Index (CPI): [CPI Value]
- Schedule Performance Index (SPI): [SPI Value]
- Cost Variance (CV): [CV Value]
- Schedule Variance (SV): [SV Value]

The monthly project status report will feature a specific segment dedicated to cost management. Within this section, the report will display the earned value metrics, including the cost performance index (CPI), schedule performance index (SPI), cost variance (CV), and schedule variance (SV).

2. Cost Variances

Any cost variances outside the thresholds specified in the Cost Management Plan will be reported, including the following details:

- Description of the variance
- Magnitude of the variance
- Impact on project budget

- Planned corrective actions to address the variance.

Any cost discrepancies that surpass the predetermined thresholds outlined in the Cost Management Plan will be documented and reported. This includes providing a detailed explanation of the variance, quantifying its magnitude, assessing its impact on the project budget, and outlining the corrective actions that are planned to address the deviation.

3. Change Requests

Change Requests triggered by project cost overruns will be identified and tracked in this report, including the following details:

- Description of the change request
- Reason for the change
- Estimated impact on project cost.
- Status and progress of the change request

Any change requests triggered by cost overruns will be identified and tracked, including their description, reason, estimated impact on project cost, and status. The report will also summarize the overall project cost, including the total budgeted cost, actual cost incurred to date, remaining budget, and estimated cost at completion.

4. Summary

- Provide a summary of the cost management status and any significant findings or observations related to project costs.

The conclusion section will summarize the cost management status and highlight any notable findings or observations related to project costs.

5. Attachments

- Include any relevant supporting documents or reports related to cost management.

COST VARIANCE RESPONSE PROCESS

The Cost Variance Response Process for the Point-of-Sale System project is outlined below:

- **Identify and Assess Cost Variances**
The project team reviews the financial information and evaluates it in relation to the predefined thresholds or benchmarks outlined in the Cost Management Plan. When there is a substantial difference between the actual costs and the planned budget, it signifies the presence of a cost variance.
- **Analyze the Causes**
The project team will examine the underlying causes and investigate various elements such as changes in scope, unexpected expenses, resource allocation issues, inaccurate cost estimations, or external factors impacting the project budget.
- **Assess the Impact**
Assess the consequences of the cost variances on the project's schedule, resources, and overall goals while considering the potential impact on other project constraints, including quality, scope, and stakeholder contentment.
- **Develop Corrective Actions**
After analyzing the root causes and evaluating the consequences, the project team will identify and outline precise corrective measures to tackle the cost variances. These measures might involve modifying the budget, reallocating resources, reevaluating the project scope, or implementing cost-reduction strategies.
- **Implement Corrective Actions**
The project team must implement the defined corrective actions and closely monitor their efficacy in mitigating or resolving the cost variances. This could entail adjusting the project plan, reallocating resources, renegotiating contracts, or pursuing additional funding if required.
- **Monitor and Control**
The project will have to monitor and regularly observe its financial progress and assess the impact of the applied corrective measures through ongoing monitoring.

COST CHANGE CONTROL PROCESS

The cost change control process will adhere to the existing procedure for project change requests. The team will ensure that any proposed changes related to project budget or costs are carefully evaluated, documented, and reviewed by relevant stakeholders.

- **Identification of Change**
All suggested alterations that could affect the project's expenses are recognized and recorded. This encompasses modifications to the project's scope, requirements, resources, or any other aspect that could potentially result in financial consequences. Any proposed changes to the project budget or costs must be submitted to the project manager in writing using the Cost Change Request Form.
- **Change Assessment**
The proposed change is assessed to determine its impact on the project budget. A comprehensive analysis is performed to gauge the financial implications, considering the potential increase or decrease in costs.
- **Cost Estimation**
The project team evaluates the monetary consequences of the suggested alteration. This entails estimating the direct and indirect expenses linked to implementing the change, considering factors such as labor, materials, equipment, and overhead costs.
- **Cost Analysis**
The analyzed cost estimates are examined to comprehend the broader effect on the project's budget. This examination aids in evaluating the practicality of the change and its alignment with the project's financial goals.
- **Approval Process**
The proposed change is presented for approval using the established change management process. Relevant stakeholders such as project sponsor and key decision-makers evaluate the change request and decide considering its impact, feasibility, and alignment with the project's financial limitations.
- **Implementation**
Once the change receives approval, it is executed following the agreed-upon protocols. This could entail modifying the project plan, adjusting the budget, reallocating resources, or undertaking any required measures to accommodate the approved change.
- **Documentation**
All changes, including the associated costs, approvals, and implementation details, are documented for future reference. This documentation helps in maintaining an accurate record of cost changes and provides a historical reference for similar situations in the future.

PROJECT BUDGET

The budget for this project is detailed below. Costs for this project are presented in various categories:

Approved Budget	₱ 1,000,000.00
Manpower Cost:	₱ 546,240.00
Hardware Cost:	₱ 178,418.00
Software Cost:	₱ 3,654.00
Contingency Cost:	₱ 36,415.60
Total Project Cost:	₱ 764,727.60

Bregghan Point of Sale System				
Budget		Project Duration		
Project Cost Estimate (in Php)				
Manpower Cost				
Role	Monthly Salary	Number of Persons	Number of months	Total Cost
Project Manager	₱ 38,720.00	1	9	₱ 348,480
Front-end Developer	₱ 19,040.00	1	3	₱ 57,120.00
Back-end Developer	₱ 28,640.00	1	3	₱ 85,920.00
Quality Assurance Tester	₱ 27,360.00	1	2	₱ 54,720.00
Total Manpower Cost				₱ 546,240.00
Hardware Cost Estimate				
Name	Price	Units	Total Cost	
Acer Aspire Vero Intel Core i5 512GB16GB"	₱ 40,950.00	4	₱ 163,800.00	
Xiaomi Redmi Pad Mi Tablet 64GB 90Hz	₱ 12,999.00	1	₱ 12,999.00	
XP-9100G Wired/Wireless 1D Portable Scanner"	₱ 864.00	1	₱ 864.00	
XPRINTER-58mmIID	₱ 755.00	1	₱ 755.00	

Bluetooth+USB Thermal Printer				
Total Hardware Cost			₱	178,418.00
Software Cost Estimate				
Name	Price (monthly)	Number of licenses	Number of months	Total Cost
OpenProject	₱ 406.00	4	9	₱ 3,654
Visual Studio Code	Free	4	-	-
GitHub	Free	4	-	-
Total Software Cost			₱	3,654.00
Total Cost Estimate			₱	728,312
Contingency Cost Estimate				
Contingency Cost (5% of Total Cost Estimates)	₱ 36,415.60		₱ 36,415.60	
Total Project Cost			₱	764,727.60

Maintenance Cost Estimate

The maintenance cost estimate helps the project team project the costs linked to continuous system maintenance and support tasks. It supports the team in planning and distributing the required resources and budget for sustaining the POS system once it is implemented. By estimating the maintenance costs, the project can guarantee the availability of adequate funds to address routine updates, bug fixes, system improvements, and technical support needs.

Maintenance Cost Estimate (per year after project completion)			
Name	Price (annually)	Units	Total Cost
Hosting: Amazon Web Services	₱ 3,000.00	1	₱ 3,000.00
Software Maintenance	₱ 8,000.00	1	₱ 8,000.00
Hardware Maintenance	₱ 10,000.00	1	₱ 10,000.00
Total Maintenance Cost			₱ 21,000.00

SPONSOR ACCEPTANCE

Approved by the Project Sponsor:

<Project Sponsor>
<Project Sponsor Title>

Date: _____