COST MANAGEMENT PLAN

SURVEIRAMS

ASIA PACIFIC COLLEGE
3 HUMABON PLACE, MAGALLANES
MAKATI CITY, 1232 METRO MANILA

MAY 2023

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INTRODUCTION

The purpose of the Cost Management Plan for the SurveiRams System project is to ensure that all project-related expenses are managed efficiently throughout its entire duration. The plan outlines the techniques and guidelines that will be employed to gauge, communicate, and regulate project expenses.

Cost management responsibilities:
The Project Manager will be responsible for managing the project's expenses and act as the contact for any cost-related concerns. The Project Leader, on the other hand, will be responsible for supervising project spendings and making sure that it stays within the authorized budget.

Cost change approval:
Authorization from the Project Manager is required prior to implementing any changes in cost. In case the cost modification exceeds 10% of the total project budget, approval from the Project Sponsor must be obtained before executing it.

Cost measurement and reporting:
The project expenses will be evaluated and recorded on a monthly basis, using both the cost performance index (CPI) and the schedule performance index (SPI). Monthly expense reports will be submitted to the Project Sponsor.

Budget format and standards:
The budget will be presented in a simplified and concise format by utilizing a spreadsheet program like Microsoft Excel. The budget will be divided into distinct line items, with each item having a detailed cost estimate. It will be updated once there are any changes, and any changes made will be indicated.

Overall, the objective of the Cost Management Plan for the SurveiRams System project is to ensure that all project-related expenses are effectively monitored and controlled, allowing the project to be completed within the assigned budget. This approach will ensure the project's successful and timely completion.

COST MANAGEMENT APPROACH

The cost management approach for SurveiRams will be based on the following principles:

1. **Clear definition of costs**
   The project team will define all the costs associated with SurveiRams. Hardware and software costs, development costs, maintenance costs, testing and quality assurance costs, and any other expenses related to the project.

2. **Budget development and tracking**
   An effective budget tracking system will be implemented to regularly monitor actual spending against the allocated budget and identify areas for improvement.

3. **Cost estimates**
   The project team will utilize diverse methods of cost estimation to guarantee that the allocated budget is precise and feasible.

4. **Cost variance analysis**
   The project team will analyze and distinguish between the actual cost in the budget and predicted cost estimates to pinpoint reasons for any discrepancies, then initiate remedial measures to align expenses accordingly.

5. **Cost management roles and responsibilities**
   The project team members will define and establish clear roles and responsibilities for cost management.

6. **Approval process for changes**
   Changes to projects or budgets will be approved formally through an established and implemented procedure.

7. **Reporting and communication**
   Regular cost reports will be provided and distributed to the project team, project sponsor, and management to inform every one of the project's financial situations.

By implementing a clear cost management approach in SurveiRams, the project team can help ensure that the project stays on budget and meets financial objectives. This can help to minimize the risk of cost overruns and ensure that the project is completed successfully.

MEASURING PROJECT COSTS

This section defines how the project's costs will be measured. The PMBOK focuses on Earned Value Management for measuring and controlling a project's costs. Earned Value Management is a broad and powerful tool; as such, we recommend that all project managers take some formal courses in Earned Value Management.

In this section you should detail how you will measure the project costs. What Earned Value measurements will be captured and reported upon. Will you use any tools, such as project management software, to assist in capturing Earned Value metrics? How will you forecast future project costs? Will you review cost performance over time, across work packages or schedule activities?

Our example in this section measures four Earned Value measurements; Schedule Variance (SV), Cost Variance (CV), Schedule Performance Index (SPI) and Cost Performance Index (CPI). For most typical projects these four measurements can provide enough insight for effective management without overburdening the Project Manager with Earned Value calculations and measurements.

Schedule Variance (SV) is a measurement of the schedule performance for a project. It's calculated by taking the Earned Value (EV) and subtracting the Planned Value (PV). Since EV is the actual value earned in the project and the PV is the value our project plan says we should have earned at this point, when we subtract what we planned from the actual we have a good measurement which tells us if we are ahead or behind the baseline schedule according to our project plan. If SV is zero, then the project is perfectly on schedule. If SV is greater than zero, the project is earning more value than planned thus it's ahead of schedule. If SV is less than zero, the project is earning less value than planned thus it's behind schedule.

Cost Variance (CV) is a measurement of the budget performance for a project. CV is calculated by subtracting Actual Costs (AC) from Earned Value (EV). As we already know, EV is the actual value earned in the project. AC is the actual costs incurred to date, thus when we subtract what our actual costs from the EV we have a good measurement which tells us if we are above or below budget. If CV is zero, then the project is perfectly on budget. If CV is greater than zero, the project is earning more value than planned thus it's under budget. If CV is less than zero, the project is earning less value than planned thus it's over budget.

The Schedule Performance Index (SPI) measures the progress achieved against that which was planned. SPI is calculated as EV/PV. If EV is equal to PV the value of the SPI is 1. If EV is less than the PV then the value is less than 1, which means the project is behind schedule. If EV is greater than the PV the value of the SPI is greater than one, which means the project is ahead of schedule. A well performing project should have its SPI as close to 1 as possible, or maybe even a little under 1.

Cost Performance Index (CPI) measures the value of the work completed compared to the actual cost of the work completed. CPI is calculated as EV/AC. If CPI is equal to 1 the project is perfectly on budget. If the CPI is greater than 1 the project is under budget, if it's less than 1 the project is over budget.

REPORTING FORMAT

Reporting for 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

The Control Thresholds for this project is a CPI or SPI of 1, as stated above in the Measuring Project Cost.

If the Project Sponsor selects a corrective action option,
The corrective actions may include:

- Reducing the scope of the project
- Reducing the quality of the project deliverables
- Increasing the budget for the project
- Increasing productivity or efficiency of project team members

The Project Manager will monitor the implementation of the corrective actions and provide regular updates to the Project Sponsor on the status of the project budget.
If the project continues to exceed the Control Thresholds, the Project Manager will forward the issue to their Project Adviser for further action.

COST CHANGE CONTROL PROCESS

The cost change control process will include the following steps:

1. **Identification of Cost Change**
   The Project Manager or any team member who identifies and proposes a potential cost change must document and bring it to the attention of the Project Sponsor through a cost change request form.

2. **Analysis of the Cost Change**
   The project team will analyze the cost change to determine its impact on the project schedule, budget, and overall performance.

3. **Approval of the Cost Change**

The Project Manager will present the analysis of the cost change to the Project Sponsor and other relevant stakeholders. The Project Sponsor will then approve or reject the cost change based on the analysis provided.

4. **Implementation of the Cost Change**
   Once the cost change is approved, the Project Manager will update the project cost baseline and implement the necessary cost changes to the project plan in accordance with the project schedule and budget.

5. **Tracking and Monitoring of the Cost Change**
   The Project Manager will track and monitor the cost change to ensure that it is implemented effectively and efficiently. The project team will regularly review the progress of the cost change and make adjustments as necessary.

6. **Reporting on the Cost Change**
   The Project Manager will report on the cost change to the Project Sponsor and other stakeholders. The report will detail the factors contributing to the cost change, its implications for the project timeline, budget, and quality of work, as well as the progress achieved in managing the situation.

The cost change control process is a crucial aspect of managing the SurveiRams ticketing system project's financial aspects. By analyzing and approving cost changes, the project can ensure that it remains within the allocated budget and avoids any unexpected financial challenges. Regular reporting on cost changes will allow the project manager to keep the project sponsor and other key stakeholders informed of any financial updates and ensure transparency throughout the project's lifecycle. By adhering to this cost change control process, the SurveiRams ticketing system project can achieve its objectives and deliver quality results within the specified budget.

PROJECT BUDGET

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

SurveiRams Ticketing System				
Budget	**PHP 2,200,000.00.00**		**Project Duration**	15 months
Project Cost Elements				
Manpower Cost: Estimate **based on glassdoor*				
Role	**Average Salary (monthly)**	**Total Salary**	**Count**	**Total Cost (1 year and 3 months)**
Quasar Front-end developer – junior level	PHP 29,000.00	PHP 435,000.00	1	PHP 435,000.00
Back-end developer – junior level	PHP 35,000.00	PHP 525,000.00	1	PHP 525,000.00
Project Manager	PHP 50,000.00	PHP 750,000.00 Total : **PHP 1,710,000.00**	1	PHP 750,000.00 Total : **PHP 1,710,000.00**
Maintenance				
Maintenance (after project closure, yearly)	**PHP 60,000.00**			**PHP 60,000.00**
Contingency Cost				
Estimated contingency cost	**PHP 200,000.00**			**PHP 200,000.00**
Estimated Total Project Cost				
Total				**PHP 1,970,000.00**

SPONSOR ACCEPTANCE

Approved by the Project Sponsor:

Date: May 2023

Mr. Jojo F. Castillo
Executive Director, Technical Services