Module 6

Project Cost Management

Objective Covered In This Section

The Project Cost Management section covers the basic costs and working with costs in Project 2010

- Project Cost

- Defining different costs for the project

- Assigning Fixed Cost to Resources

1. Project Cost

Project includes tasks and resources to perform tasks. Resources require time to complete the tasks and this costs money.

The project budget can determine the final scope of the project. If there are cost overruns then the project manager needs to take corrective action for the completion of a successful project.

1.1 Defining different costs for the project

You can associate three cost measures with a resource:

1. Standard Rate (for work during normal working hours),

2. Overtime Rate (for working during overtime hours),

3. Cost per Use (a special one-time cost per assigned unit without regard to the number of hours worked).

Each of these cost measures has a default rate, which you can define in the Resource Sheet.

1.1.1 Standard Rate

Use the Standard Rate field to show the current default cost of each unit (each 100% of a unit) of the resource assigned to a task:

- For work resources the standard rate is the amount to charge per unit of normal working time.
  For *example*, suppose that you were to rent a laptop for $100 per week; you could create a resource named Laptop with a standard rate of 100/week.

- For material resources, the standard rate is the amount charged to the task per unit of the resource consumed.
  For *example*, an A4 Rim Bundle would have its material label as Rim and Standard Rate would be Rs. 400, i.e. Rs. 400 per rim.

1.1.2 Overtime Rate

Project uses the entry in the Overtime Rate field when calculating the cost of overtime hours that you schedule for a work resource. There is no overtime rate for material resources. The default overtime rate is zero (0, 00), so for salaried employees you can leave the zero value if they are not paid for their overtime hours. If the rate for overtime work is the same as the regular rate, you must enter that amount again in the Overtime Rate field or overtime hours will be changed at the zero default rate.

1.1.3 Cost per Use

The Cost per Use field (which is titled Cost/Use on the Resource Sheet and Per Use Cost on the Resource Information dialog box) contains any cost that is to be charged once for each unit (each 100% of a unit) of the resource assigned to a task, regardless of the duration of the assignment.

1.1.4   The Cost Rate Tables

The Costs tab of the Resource Information dialog box contains five Cost Rate Tables (A through E) which show the default cost rates (Tables A) plus four other levels of cost that you can define for different types of assignments.

Double-click on the Resource sheet view to get the Resource Information dialog box and open the 'Cost' Tab.

1. The user can enter the Standard Rate, Overtime Rate and Per Use Cost for each Cost Rate Table.

2. The user also has the option to define when the cost will be accrued to the project, i.e. when the cost will be added to the project, whether it is at the Start or End of the task or whether it will be prorated.
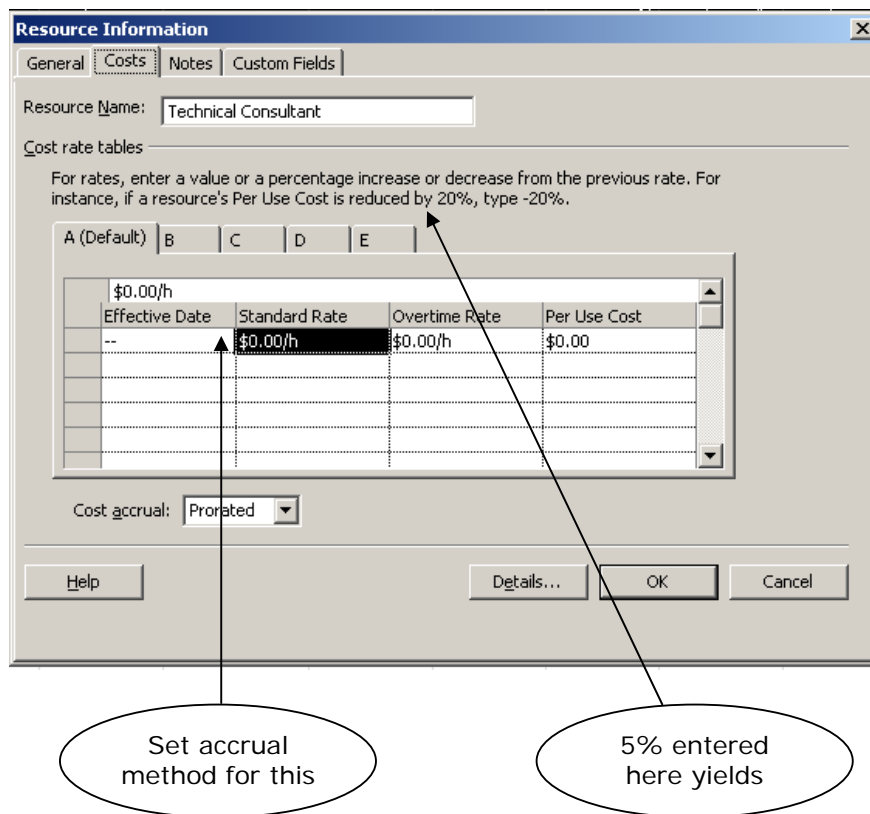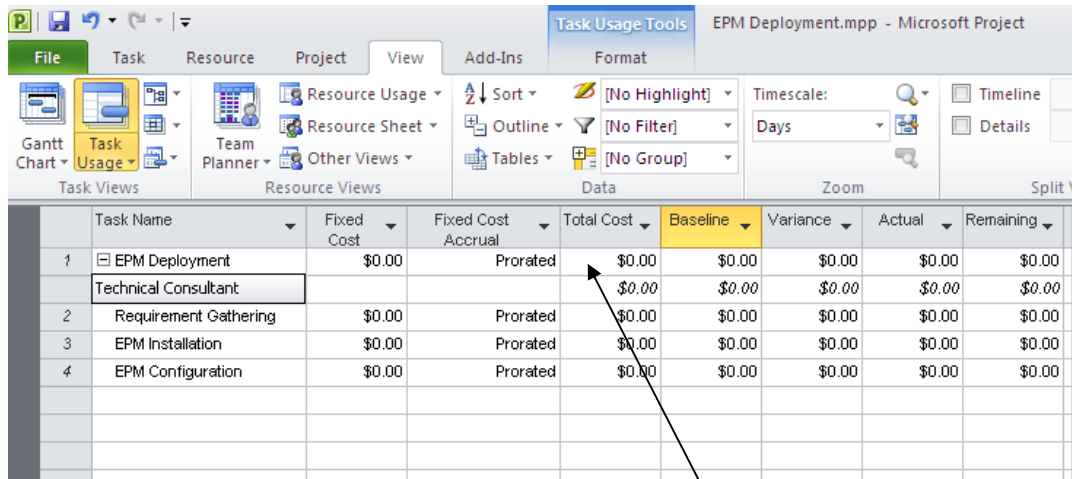

Fig 6.1: Defining different costs of project

1.2 Assigning Fixed Cost

For some task, you might have costs that aren't linked to a particular resource you have named. This type of cost is called a fixed cost and is entered in the Fixed Cost column of the Cost table on a task view such as the Gantt chart.

The fixed cost has to be filled in as a task-related cost on the Gantt chart in the column Fixed Cost.

1. Go to View → Tables → Cost and enter the fixed cost in the field Fixed Cost against the task.

2. Indicate when the fixed cost will be accrued in the field Fixed Cost Accrual, i.e. Start of task/ Prorated / End of the task.

Fig 6.2 Assigning Fixed costs to resources

The cost for the task is the total of fixed cost, material cost and labor

Project 2010 will calculate the TOTAL PROJECT COST as,

Total of Fixed cost, Material cost and Labor cost

Notes