

TUTORIAL 4

➤ Multiple Choice:

1. Accountants usually define _____ as a resource sacrificed or foregone to achieve a specific objective or something given up in exchange.
 - a. money
 - b. liability
 - c. trade
 - d. cost
2. What is the main goal of project cost management ?
 - a. to complete a project for as little cost as possible
 - b. to complete a project within an approved budget
 - c. to provide truthful and accurate cost information on projects
 - d. to ensure that an organization's money is used wisely
3. Which of the following is not an output of estimating costs ?
 - a. activity cost estimates
 - b. a cost baseline
 - c. basis of estimates
 - d. project documents updates
4. If a company loses \$5 for every \$100 in revenue for a certain product, what is the profit margin for that product ?
 - a. -5%
 - b. 5%
 - c. -\$5
 - d. \$5
5. _____ reserves allow for future situations that are unpredictable.
 - a. Contingency

- b. Financial
- c. Management
- d. Baseline

6. You are preparing a cost estimate for a building based on its location, purpose, number of square feet, and other characteristics. What cost-estimating technique are you using ?

- a. parametric
- b. analogous
- c. bottom-up
- d. top-down

7. _____ involves allocating the project cost estimate to individual material resources or work items over time.

- a. Reserve analysis
- b. Life cycle costing
- c. Project cost budgeting
- d. Earned value analysis

8. _____ is a project performance measurement technique that integrates scope, time, and cost data.

- a. Reserve analysis
- b. Life cycle costing
- c. Project cost budgeting
- d. Earned value management

9. If the actual cost for a WBS item is \$1,500 and its earned value is \$2,000, what is its cost variance, and is it under or over budget ?

- a. The cost variance is -\$500, which is over budget.
- b. The cost variance is -\$500, which is under budget.
- c. The cost variance is \$500, which is over budget.
- d. The cost variance is \$500, which is under budget.

10. If a project is halfway completed, its schedule performance index is 110%, and its cost performance index is 95%, how is it progressing ?

- a. It is ahead of schedule and under budget.
- b. It is ahead of schedule and over budget.
- c. It is behind schedule and under budget.
- d. It is behind schedule and over budget.

➤ **Short Answer:**

1. Discuss why many software professionals may overlook project cost management and how this might affect the ability to complete projects within budget.
2. Explain some of the basic principles of cost management, such as profits, life cycle costs, tangible and intangible costs and benefits, direct and indirect costs, and reserves.
3. What is meant by a sunk cost ? Give examples of typical sunk costs for a software project as well as examples from your personal life. Why is it difficult for people to ignore them when they should ?
4. Give an example of how you would use each of the following techniques for creating a cost estimate: analogous, parametric, and bottom-up.
5. Explain what happens during the process to determine the project cost.

SUBMISSION:

- Write your answer in a Word document
- Save file as: *FullName_StudentID_Class_Tutorial4*