Project Cost Management Terms	
	Directions: Hide this side of the flashcards or fold page in half. Read the term, recite the definition, and then look at this side of the flashcards to check your answer.
Actual cost (AC)	The actual amount of monies the project has spent to date.
Analogous estimating	An approach that relies on historical information to predict the cost of the current project. It is also known as top-down estimating and is the least reliable of all the cost-estimating approaches.
Bottom-up estimating	An estimating approach that starts from zero, accounts for each component of the WBS, and arrives at a sum for the project. It is completed with the project team and can be one of the most time-consuming and most reliable methods to predict project costs.
Budget estimate	This estimate is also somewhat broad and is used early in the planning processes and also in top-down estimates. The range of variance for the estimate can be from –10 percent to +25 percent.
Commercial database	A cost-estimating approach that uses a database, typically software-driven, to create the cost estimate for a project.
Contingency reserve	A contingency allowance to account for overruns in costs. Contingency allowances are used at the project manager's discretion and with management's approval to counteract cost overruns for scheduled activities and risk events.

Cost aggregation	Costs are parallel to each WBS work package. The costs of each work package are aggregated to their corresponding control accounts. Each control account then is aggregated to the sum of the project costs.
Cost baseline	A time-lapse exposure of when the project monies are to be spent in relation to cumulative values of the work completed in the project.
Cost budgeting	The cost aggregation achieved by assigning specific dollar amounts for each of the scheduled activities or, more likely, for each of the work packages in the WBS. Cost budgeting applies the cost estimates over time.
Cost change control system	A system that examines any changes associated with scope changes, the cost of materials, and the cost of any other resources, and the associated impact on the overall project cost.
Cost management plan	The cost management plan dictates how cost variances will be managed.
Cost of poor quality	The monies spent to recover from not adhering to the expected level of quality. Examples may include rework, defect repair, loss of life or limb because safety precautions were not taken, loss of sales, and loss of customers. This is also known as the cost of nonconformance to quality.
Cost of quality	The monies spent to attain the expected level of quality within a project. Examples include training, testing, and safety precautions.
Cost performance index (CPI)	Measures the project based on its financial performance. The formula is CPI = EV/AC.

Cost variance (CV)	The difference of the earned value amount and the cumulative actual costs of the project. The formula is CV = EV – AC.
Definitive estimate	This estimate type is one of the most accurate. It's used late in the planning processes and is associated with bottom-up estimating. You need the WBS in order to create the definitive estimate. The range of variance for the estimate can be from –5 percent to +10 percent.
Direct costs	Costs are attributed directly to the project work and cannot be shared among projects (for example, airfare, hotels, long-distance phone charges, and so on).
Earned value (EV)	Earned value is the physical work completed to date and the authorized budget for that work. It is the percentage of the BAC that represents the actual work completed in the project.
Estimate at completion (EAC)	These forecasting formulas predict the likely completed costs of the project based on current scenarios within the project.
Estimate to complete (ETC)	An earned value management formula that predicts how much funding the project will require to be completed. Three variations of this formula are based on conditions the project may be experiencing.
Fixed costs	Costs that remain constant throughout the life of the project (the cost of a piece of rented equipment for the project, the cost of a consultant brought on to the project, and so on).
Funding limit reconciliation	An organization's approach to managing cash flow against the project deliverables based on a schedule, milestone accomplishment, or data constraints.

Indirect costs	Costs that are representative of more than one project (for example, utilities for the performing organization, access to a training room, project management software license, and so on).
Known unknown	An event that will likely happen within the project, but when it will happen and to what degree is unknown. These events, such as delays, are usually risk-related.
Learning curve	An approach that assumes the cost per unit decreases the more units workers complete, because workers learn as they complete the required work.
Oligopoly	A market condition where the market is so tight that the actions of one vendor affect the actions of all the others.
Opportunity cost	The total cost of the opportunity that is refused to realize an opposing opportunity.
Parametric estimating	An approach using a parametric model to extrapolate what costs will be needed for a project (for example, cost per hour and cost per unit). It can include variables and points based on conditions.
Planned value (PV)	Planned value is the work scheduled and the budget authorized to accomplish that work. It is the percentage of the BAC that reflects where the project should be at this point in time.
Project variance	The final variance, which is discovered only at the project's completion. The formula is VAR = BAC – AC.

Regression analysis	This is a statistical approach to predicting what future values may be, based on historical values. Regression analysis creates quantitative predictions based on variables within one value to predict variables in another. This form of estimating relies solely on pure statistical math to reveal relationships between variables and to predict future values.
Reserve analysis	Cost reserves are for unknown unknowns within a project. The management reserve is not part of the project cost baseline, but is included as part of the project budget.
Rough order of magnitude	This rough estimate is used during the initiating processes and in top-down estimates. The range of variance for the estimate can be from –25 percent to +75 percent.
Schedule performance index (SPI)	Measures the project based on its schedule performance. The formula is SPI = EV/PV.
Schedule variance (SV)	The difference between the earned value and the planned value. The formulas is SV = EV – PV.
Single source	Many vendors can provide what your project needs to purchase, but you prefer to work with a specific vendor.
Sole source	Only one vendor can provide what your project needs to purchase. Examples include a specific consultant, specialized service, or unique type of material.
Sunk costs	Monies that have already been invested in a project.

To-Complete Performance Index	A formula to forecast the likelihood of a project to achieve its goals based on what's happening in the project right now. There are two different flavors for the TCPI, depending on what you want to accomplish. If you want to see if your project can meet the budget at completion, you'll use this formula: TCPI = (BAC – EV)/(BAC – AC). If you want to see if your project can meet the newly created estimate at completion, you'll use this version of the formula: TCPI = (BAC – EV)/(EAC – AC).
Variable costs	Costs that change based on the conditions applied in the project (the number of meeting participants, the supply of and demand for materials, and so on).
Variance	The difference between what was expected and what was experienced.
Variance at completion (VAC)	A forecasting formula that predicts how much of a variance the project will likely have based on current conditions within the project. The formula is VAC = BAC – EAC.