Planning Earned Value Management

This article will teach you the concept of Earned Value Management. It will also cover key data points used to calculate real-time EVM.

Earned Value Management (EVM)

Earned Value Management (EVM) is continuous, real-time monitoring of project progress, considering costs and schedule constraints. Comparing scope, schedule, and cost provides a status that can be shared or used to direct the course of action throughout the project.

Here is a list of key data points to understand EVM.

Budget at Completion (BAC)

Budget at Completion (BAC) is the total budget allotted to the project to cover all direct expenditures. For example, the allocated budget to complete the project is $100,000.

Planned Value

Planned Value (PV) represents the cost budgeted for a specific task or activity in the project plan up to a certain time, which provides a baseline for assessing project performance and progress.

For example, if your BAC was $100,000 and you are halfway through the project, you will plan to spend $50,000 of the allotted budget now.

Actual Costs (AC)

Actual Costs (AC) are the amount the project has spent. For example, if PV was $50,000, and you have spent $60,000, then you are $10,000 over budget.

Earned Value (EV)

Earned Value (EV) represents the value of the work completed up to a certain point in time based on the project plan. To calculate the EV, multiply the planned percentage of completion by the budgeted cost for the specific task.

For example, Assuming a task is 50% complete up to a certain date and its total budgeted cost is $10,000, then its EV up to that point is $5,000 (50% x $10,000).

Conclusion

Project managers can use these information points to determine the performance of a project and make informed decisions that will help to keep the project on budget.