

# Cost Management

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Lecture #4 out of 10

80 minutes

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**1.** In a one-year project, how often do you ask your customer to sign-off the budget?

1. After every weekend
2. After every pull request
3. After every change request
4. After every phone call

#ccb #baseline

**2.** What is the most honest way to bill a customer?

1. \$100 per hour
2. \$100 per line of code
3. \$100 per feature
4. \$100 per pull request

#salary

### 3. How to calculate Cost Performance Indicator (CPI)?

1.  $CPI = EV/AC$

2.  $CPI = EV/PV$

3.  $CPI = EV - PV$

4.  $CPI = EV - AC$

#evm

4. Which budget looks best of all, in terms of *accuracy* and *precision*?

1. \$9995.00 +- 2%
2. \$9002.99 +- 10%
3. \$9900.00 +- 20%
4. \$9000.00 +- 100%

#evm

**5.** You are a project manager, a programmer asks you to pay \$500 for a training course about Machine Learning. What do you answer?

1. “Definitely not!”
2. “I have to ask our CFO and the customer”
3. “Only if you work on weekends”
4. “How is ML related to our project?!”

#school

**6.** You just interviewed two programmers and now have to explain to your boss that you want to hire the one that is more expensive; what is the best argument to use?

1. She is more enthusiastic about our project
2. She has longer experience
3. She has bigger StackOverflow reputation
4. She worked for our competitor before

#value

**7.** Would you allow your team members to know the salaries of each other?

1. Definitely No!
2. Only if they are all the same
3. Only if they are all higher than the market can pay
4. Definitely Yes!

#salary

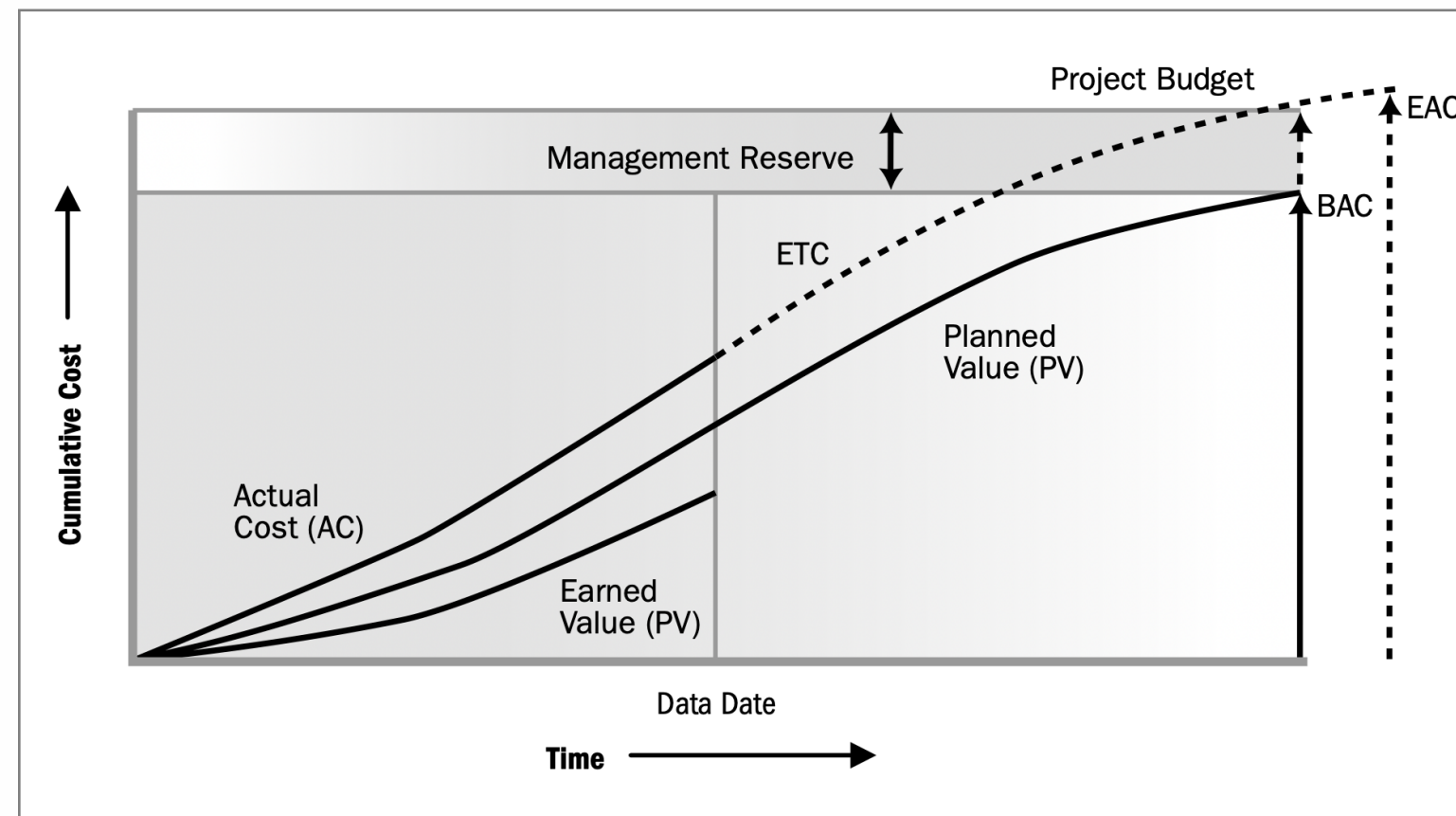


## 8. Who is making more money?

1. OCA
2. PMP
3. PhD
4. CEO

#salary

## Earned Value Method



The picture is taken from PMBOK5, Figure 7-12, page 219.

## Cost and Staffing Levels



The picture is taken from PMBOK5, Figure 2-8, page 38.

## Cost of Changes



The picture is taken from PMBOK5, Figure 2-9, page 39.

## Homework:

A “project estimate” refers to a systematic assessment of the anticipated time, resources, and costs required to complete a specific project. It is derived from a detailed understanding of the project’s scope, tasks, and potential challenges, and serves as a foundational tool for budgeting, scheduling, and resource allocation. Accurate project estimates are crucial for setting realistic expectations and ensuring the project’s successful completion within its defined constraints. — ChatGPT 4.0

## Read this:

Steve McConnell, *Software Estimation: Demystifying the Black Art* (2006)

How Much For This Software? (2015)

Five Stages of Microbudgeting (2018)

How Much Do You Cost? (2014)

How Much Do You Pay Per Line of Code? (2014)

Incremental Billing (2014)

# Bibliography