

Project Management

Topic 4.6

Cost Estimates and Budgets



FULCRUM *EDGE*, INC.

Cost Estimating

- Direct labor
- Materials
- Equipment
- Services
- Facilities
- Information Technology
- Inflation and contingency
- Indirect costs included when specified

Cost Estimating Methods

- Same methods as time resource estimates
 - Expert Judgment, Analogous, Parametric, Three Point, Bottom Up
- Vendor Bid Analysis – Compares competitive vendor bids of project elements to establish a value

Cost Estimating Documentation

- Estimate
- Basis of the estimate
- Assumptions
- Constraints
- Range
- Confidence level

Budget

- Summation of all estimates
- Add in a reserve fund level
 - Contingency: allowance for unplanned changes identified in risk register
 - Management Reserve: not part of baseline but included
- Reconcile fund limit: match budget to funding
- Cost baseline: time budget spending to schedule

4.6.2 Team Exercise



Kitchen Replacement Project Budget

Learn by Doing Project Management
Pages 101-102