

Cost Control—Activity Definition

Purpose:

The objective of this activity is to manage project cost such that it is aligned with budgeted cost.

Participants:

Project Manager, Stakeholders, Sponsor

Inputs:

Project Overview Statement [1], Integrated Project Plan [3], Resource Plan [4], Procurement Plan [5]

Process:

1. Costs are agreed upon with the sponsor at the start of the project and reviewed on completion of the project.
2. The Project Manager is responsible for constantly monitoring the budget.
3. The variance between Budgeted cost and Project cost needs to be communicated to and approved by the sponsor/customer. Alternately, for various reasons, the relevant stakeholders might decide to absorb the additional cost.
4. The variance between planned schedule and actual schedule needs to be communicated to and approved by the sponsor/customer.
5. The variance (positive or negative) if any should be reported in the Status Report.

Outputs:

Status reports

Cost Control—Guidelines

1. Determine how to monitor and control performance vis-à-vis budget.
2. Address how the actual cost will be tracked against the budgeted cost.
3. Monitoring the schedule is also important as any idle resources add to the project cost.
4. Determine if you want to use Earned Value as a measurement technique.
5. Decide how corrective actions will be implemented, and at what intervals cost reporting will be done for both the project team and management.
6. Determine the tools and techniques to be used.
7. Include all costs of the project, including contract labor and support functions. Costs could include hardware, software, etc.