

### Introduction

The Cost Management Plan clearly describes specifically the methodology for monitoring and control of

- Identification of the authority for cost management
- Nomination of the authority for approval of changes in costs
- Procedure for quantitative measurement of cost performance, and its reporting
- Formats for reports, their frequency, and to whom delivered

The Project Manager has been assigned the responsibility for the management and control of the project

### Cost Management Approach

Approach to be maintained for the management of cost is documented in this part of the Cost Management

Project costs will be controlled at the third level of the WBS, by creation of Control Accounts at this level

Variance of +/- 0.2 in the Schedule Performance Index ( SPI ) and Cost Performance Index ( CPI ) will in

### Project Costs Measurement

This part of the Cost Management Plan describes the procedure for measuring the project cost. Earned

Detailed procedure should be sectioned in the Cost Management Plan, for measurements that will be captured

**Cost Variance (CV)** : It is a measurement that determines the project budget performance, and can be

If value of CV is zero, then it implies that the project cost performance is the same as was planned, and

**Cost Performance Index (CPI)** : It measures the value of the cost

**Schedule Variance (SV)** It is a measurement that indicates the project schedule performance. It is calculated as

**Schedule Performance Index (SPI)** : It signifies the project progress

Project performance will be measured by the use of Earned Value Management. Following metrics concern

- Cost Variance (CV)
- Cost Performance Index ( CPI )
- Schedule Variance (SV)
- Schedule Performance Index ( SPI )

If the variance of Cost Performance Index ( CPI ) or Schedule Performance Index ( SPI ) is between 0.2

**Performance Measurement**

**Yellow**

**Red**

Cost Performance Index ( CPI )

Between 0.8 and 0.9 or Between 1.2 and 1.3

Less than 0.8 or Greater than 1.3

Schedule Performance Index (SPI)

Between 0.8 and 0.9 or Between 1.2 and 1.3

Less than 0.8 or Greater than 1.3

### **Format for Reporting**

Reports regarding the project cost performance will be included in the project monthly status reports. The Project Monthly Status Report will comprise a part called "Cost Performance Management". This portion will include the Earned Value Metrics, which were established in the previous part. All cost variances, which exceed the limits defined, will be communicated to all concerned, including any remedial actions planned. Change Requests which are necessitated due to project cost overruns, will be tracked in this report.

### **Cost Variance Response Process**

This section of the Cost Management Plan defines the control thresholds for the project and what actions will be taken if the project triggers a control threshold. As a part of the response process the Project Manager typically presents options for corrective action to the Project Sponsor who will then approve an appropriate action in order to bring the project back on budget. The Project Manager may propose to increase the budget for the project, reduce scope or quality, or some other corrective action.

The thresholds for the financial control of this project are a SPI less than 0.8, and CPI of less than 0.9. If the project attains any one of the threshold, a corrective action will be necessary. Project Manager will analyze and recommend options to the Project Sponsor for remedial

actions, within four business days of the occurrence of the variance. After approval by the Sponsor, the Project Manager will implement the desired course of action within three business days.

### **Project Budget**

The budget assigned for this project is mentioned below.

- Fixed Costs: \$xxx,xxx.xx
- Contractor Costs: \$xxx,xxx.xx
- Material Costs: \$xxx,xxx.xx
- Contingency Reserve: \$xxx,xxx.xx
- Total Project Cost: \$xxx,xxx.xx
- Management Reserve: \$x,xxx.xx

You can download free cost management plan template [here](#)