BSBPMG514
MANAGE PROJECT COST
ASSESSMENT SUMMARY

The assessment activities for *BSBPMG514 Manage project cost* cover all aspects of the unit of competency required. To demonstrate competence in this unit, a participant must undertake all tasks and complete them satisfactorily and consistently. For Apprentices and Trainees, this includes employer completion of the Employer Record Book (ERB).

Participants must read all the information given before starting any assessment task. The assessment tasks are intended to be equitable, fair and flexible. If a participant has any questions or requires alternative arrangements to be made such requests should be directed to their Trainer/Assessor, who should note such arrangements in the 'Assessor Comments' on the affected assessment. If a participant feels they are not yet ready to be assessed, they should discuss their options with their Trainer/Assessor.

To satisfactorily complete the assessment, the participant is required to answer all questions correctly and demonstrate their skills to industry standards. If a participant does not answer some questions or perform some tasks, they will be deemed 'Not Satisfactory' for the task and 'Not Yet Competent' for the unit of competency. The Trainer/Assessor is able to provide the participant with additional information on interpreting the assessment outcomes and provide guidance on the participant's options. Should a participant still be deemed 'Not Satisfactory' they will have the opportunity to undertake a supplementary assessment or appeal the result.

By signing the cover page for each assessment item, the participant acknowledges they understand the assessment instructions and requirements and consent to being assessed. The participant also verifies and assures the RTO that the work submitted is their own work.

Participant Name	Mark Brownlie

Task	Assessment Results	
Theory Exam	☐ Satisfactory	☐ Not Yet Satisfactory
Practical Assessment	☐ Satisfactory	☐ Not Yet Satisfactory
Outcome for Unit of Competency	**☐ Competent**	**☐ Not Yet Competent**

Assessor Name	
Assessor Signature	
Unit Competence Determination Date	Click here to enter a date.

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THEORY EXAM INSTRUCTIONS

1. This exam will occur under standard assessment conditions.
    1. An oral examination may be allowed under certain circumstances, whereby the Participant's answers will be documented by a party other than the Participant. This must be acknowledged in writing (e.g. FT001 and Assessor Comments)
2. Participants must provide enough detail in their responses to demonstrate their knowledge and skills.
3. Please fill in the details below, providing your name, signature and date of assessment.
    1. Your signature acknowledges that this is your own work.
4. Assessors are to complete marking in pen of a different colour to the Participant.
5. If a Participant initially answers a question incorrectly but modifies their response, they must follow the instructions below:
    1. If a Participant changes their response in writing, they must put their initials next to the written change.
    2. If a Participant changes their response verbally, this must be noted on the exam paper by the assessor.

Participant name: Mark Brownlie

Participant signature:

Date: 22/03/2022

Assessor name:

Assessor signature:

Date: Click here to enter a date.

Number of questions	Number of questions answered correctly	Task outcome (Tick)	
		Satisfactory	Not Yet Satisfactory
17		☐	☐

ASSESSOR COMMENTS

Q1. **Explain the 'Plan Cost Management' process.**

Answer

the process that establishes:
Policies
Procedures
Documentation

☐

Q2. **Identify seven (7) types of information which might be included in a cost management plan.**

Answer

	Information type
1	• **The structure of cost and other accounts that the project will use for budgeting, recording and monitoring**
2	• **Authorisation levels for expenditure. For example, the site foreman can approve expenditure up to $100, expenditure of $100 or more must be approved by the project manager**
3	• **Units of measure to be used – for example staff hours, staff days; metres, kilometres; cubic metres, cubic feet.**
4	• **Variance control thresholds – such as the level at which dollar value and/or percentage variances that must be investigated**
5	• **Earned value management (EVM) methods to be used – such as defining the performance points when cost control checks will be performed**
6	• **Reporting frequency (usually weekly or monthly) and format**
7	• **Procedures to cover non project-related costs such as currency fluctuations**

☐

Q3. **Explain how the work breakdown structure and work packages can be used to determine resource requirements for individual tasks.**

Answer

Project management entails hierarchically breaking down or decomposing the project to be delivered down into smaller and more manageable levels of deliverables – the work breakdown structure (WBS) Work packages are the lowest level that deliverables can be broken down to

Work packages are an essential aid in costing and budgeting

☐

Q4. **Explain the different costing methods between costing a deliverable that is purchased complete and new and a deliverable that is constructed in-house.**

Answer

Deliverables made in-house must be broken down into each of their costs. In the example, one deliverable – the new fridge (not one that you refurbish) - is a single item to be bought and one deliverable – the table - is made by the organisation so the costs for each part of its construction have to be estimated. The table is the deliverable – not the labour nor the wood

Costing deliverables that you buy in complete is relatively easy to cost from their market price plus any extra charges such as delivery

☐

Q5. **Describe the difference between top-down and bottom-up budgeting when managing a project.**

Answer

- **In top-down budgeting a total budget is allocated to the project, which can then be broken down into work packages**
- **In bottom-up budgeting costs are estimated for the work packages and these are added together to total the project budget**

☐

Q6. **Explain the concept of 'analogous estimating'. Identify one (1) problem that may exist with analogous estimating.**

Answer		
Answer	**Analogous estimating is one form of top-down budgeting. It involves making an "analogy" between the current project and a similar previous one. The problem with analogous estimating is that if projects are not very similar in fact or close in time they can be inaccurate**	☐

Q7. **Explain the concept of 'parametric estimation'. Provide one (1) one example to support your response.**

Answer		
Answer	**Parametric estimating is a top-down budgeting approach based on a statistical relationship to calculate a project's cost – for example cost per square metre in construction**	☐

Q8. **Explain what is meant by a 'time-phased budget'.**

Answer		
Answer	• **Most budgets are phased over time. For example many organisations break their yearly budgets into monthly budgets Each month becomes a control point – a point where actual costs can be compared with budgeted costs and cost variances between actual and budgeted costs measured and reasons investigated**	☐

Q9. **Describe what is meant by a 'contingency reserve' in project budgeting.**

Answer		
Answer	• **Contingency reserves are amounts set aside to cover the costs of responding to potential risks identified in the project. We expect some of these risks to occur, but we don't know which ones or how large they will be, so an amount is set aside in the project cost baseline to cover them.**	☐

Q10. **Discuss the purpose of a management reserve in project budgeting.**

Answer	**costs can be covered by management reserves, which are not included in the project cost baseline but is part of the overall project funding. These amounts are added to the cost baseline if and when they occur.**	☐

Q11. **Using the information below, develop a single period budget for building a shed in the form of a spreadsheet.**

You may use the embedded template on the following page (refer to Handout 3, if encountering problems with the embedded file), or insert your own spreadsheet.

Planning permission $200

Preparing ground

Trenching machine 8 hours X $140
Labour 8 hours X $28

Slab $3200

Shed cost $4500
Labour – 5 labour days X 8 hours per day X $28

Installing electrics
Electrician $90 X 3 hours
Electrical goods $185

Work bench $500

Cupboards
Cupboard packs $250
Constructing cupboards – labour 2 hours X $32/hr

Variance threshold is 10%

Answer

Project cost management tool single period

Variance analysis month

Variance threshold	Account	Actual Cost	Earned Value	Variance	Variance warning
				0	#DIV/0!
	Planning Permission	200	200	0	
	Trenching Machine	1120	1120	0	
10%	Trenching Labour	256	224	-32	-13%
	Slab	3400	3200	-200	-6%
	Shed Cost	4500	4500	0	
	Shed Labour	1408	1120	-288	-20%
	Electrician	330	270	-60	-18%
	Electrical goods	185	185	0	
	Work Bench	650	500	-150	-23%
	Cupboard Packs	250	250	0	
	Cupboards Labour	64	64	0	
		12363	**11633**	**-730**	6%

Project cost management tool single period

Variance analysis month

Variance threshold	Account	Actual Cost	Earned Value	Variance	Variance warning
				0	#DIV/0!
	Planning Permission		200	200	#DIV/0!
	Trenching Machine		1120	1120	#DIV/0!
10%	Trenching Labour		224	224	#DIV/0!
	Slab		3200	3200	#DIV/0!
	Shed Cost		4500	4500	#DIV/0!
	Shed Labour		1120	1120	#DIV/0!
	Electrician		270	270	#DIV/0!
	Electrical goods		185	185	#DIV/0!
	Work Bench		500	500	#DIV/0!
	Cupboard Packs		250	250	#DIV/0!
	Cupboards Labour		64	64	#DIV/0!
		0	**11633**	**11633**	-100%

Q12. **Identify significant variances (those above your variance threshold) for the following actual costs for the project budget developed in Q11.**

It is recommended to use the same spreadsheet from the previous question.

Planning permission $200 Preparing ground Trenching machine 8 hours X $140 Labour 8 hours X $32 Slab $3400 Shed cost $4500 Labour – 5.5 labour days X 8 hours per day X $32 Installing electrics Electrician budget $110 X 3 hours Electrical goods $185 Work bench $650 Cupboards Cupboard packs $250 Constructing cupboards – labour 2 hours X $32/hr

Answer

☐

Project cost management tool single period

			Variance analysis month			
Variance threshold		Account	Actual Cost	Earned Value	Variance	Variance warning
Enter the variance threshold percentage for investigating an account here					0	#DIV/0!
					0	#DIV/0!
					0	#DIV/0!
					0	#DIV/0!
					0	#DIV/0!
					0	#DIV/0!
					0	#DIV/0!
					0	#DIV/0!
					0	#DIV/0!
					0	#DIV/0!
					0	#DIV/0!
					0	#DIV/0!
			0	**0**	**0**	#DIV/0!

Project cost management tool single period

			Variance analysis month			
Variance threshold		Account	Actual Cost	Earned Value	Variance	Variance warning
					0	#DIV/0!
		Planning Permission	200	200	0	
		Trenching Machine	1120	1120	0	
10%		Trenching Labour	256	224	-32	-13%
		Slab	3400	3200	-200	-6%
		Shed Cost	4500	4500	0	
		Shed Labour	1408	1120	-288	-20%
		Electrician	330	270	-60	-18%
		Electrical goods	185	185	0	
		Work Bench	650	500	-150	-23%
		Cupboard Packs	250	250	0	
		Cupboards Labour	64	64	0	
			12363	**11633**	**-730**	6%

Q13. **Identify any significant budgeting errors identified from the variance analysis of budget costs and actual costs given in Q11. and Q12.**

Answer

Trenching labour was 13% over budget
The Slab was 6% over budget
Shed labour was 20% over budget
The Electrician labour was 18% over budget
Work bench cost was 23% over budget

☐

Q14. **Define the following terms relating to variance.**

Answer

Term	Definition
Cost variance	**– where the cost we budgeted for is greater or less than the actual cost**
Schedule variance	**variance caused by us being behind schedule (which means our costs should be lower than budgeted at a time control point as we have done less work than scheduled) or by us being ahead of schedule (where our costs will be greater than budgeted at a time control point because we have done more work to complete the project than we budgeted for). Using EVM to use milestones, for example, as cost control points eliminates schedule variance from cost control**

☐

Q15. **Identify three (3) reasons for cost variances.**

Answer

	Information type
1	**Cost amount error – had to pay $50 per hour but budgeted for $40 per hour**
2	**Resource error – budgeted for work to take 20 hours bit it took 28 hours**

☐

3	**We might need extra tasks to be done that we did not forecast**

Q16. **Explain the purpose of a variance threshold.**

Answer

Key to monitoring is noting which accounts are outside the variance thresholds determined in the project cost management plan.
up-to-date forecasts can be made for the costs estimated to complete the project, and the project cost baseline can be changed if necessary

☐

Q17. **Identify three (3) accounting measures a project manager should take when closing the project's cost management.**

Answer

Measure	Description
1	**Make sure that all costs are accrued into the project's costs before closing. Invoices can come in late, and costs such as wages, power and communications costs might not be paid until after the project closes.**
2	**Final figures should be compared with the final project cost baseline (changes might have been authorised during the project), significant variances should be explained and lessons learnt should be reported**

☐

3	**The project manager should ensure that access to project accounts is closed – you don't want costs from outside of your project to be charged to it**

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PRACTICAL ASSESSMENT INSTRUCTIONS

6. The following practical assessment will require the Participant to complete work related activities.
7. The Assessor will conduct observations of the Participant's work to determine whether they display sufficient practical skills and knowledge.
8. Please fill in the details below – providing your name, signature and date of assessment.
    1. The Participant's signature acknowledges that the Assessor provided clear instructions and the Participant understood what was required to complete this assessment.
9. The Assessor may substitute a Practical Task with an alternate task of equal value.
    1. Alternate tasks must be fully documented by the assessor in the Assessor Comments area.

Participant name: Mark Brownlie

Participant signature:

Date: 22/03/2022

Assessor name:

Assessor signature:

Date: Click here to enter a date.

Task	Task outcome (Tick)	
	Satisfactory	Not Yet Satisfactory
Task 1	☐	☐

ASSESSOR COMMENTS

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Practical Task 1

Description of task:
A suitable observer is to verify the participant's ability to identify, analyse and refine project costs to produce a budget, and to use this budget as the principal mechanism to control project cost.

The participant is to gather evidence of how they have completed each component of the Practical Task, which is to be submitted with this Practical Assessment sheet. Evidence to be submitted may include:

10. Quotes
11. Project estimates
12. Variations
13. Tenders

The observer is to provide detailed comments on the tasks completed by the participant. The assessor is to verify the observer's comments in the Assessor Comments section, and provide the Practical Assessment outcome on the front cover of this document

Resources required:
Computer

Assessment of task	
Name of participant:	
Name of observer:	
Role of observer (Confirm suitability to sign):	
Email address of observer:	
Signature of observer:	
Date:	Click here to enter a date.

When completing the task, did the participant:	**Tick if satisfactorily completed. Provide comments if left unticked.**
1 Develop cost-management plan	
1. Within delegated authority, develop a cost-management plan to ensure clarity of understanding and ongoing management of project finances.	☐
2 Determine project costs	
Q18. Seek input from stakeholders and guidance from others when determining resource requirements for tasks identified in the work breakdown structure.	☐
Q19. Estimate project costs to enable project budget to be prepared within agreed tolerances.	☐
Q20. Develop a project budget.	☐
3 Monitor and control project costs	
• Implement agreed financial-management processes and procedures to monitor actual expenditure against budget.	☐

•	Select and use cost-analysis methods and tools to identify cost variations and evaluate alternative actions.	☐
•	Implement and monitor agreed actions to maintain financial objectives.	☐
•	Provide accurate and timely financial reports.	☐
	4 Complete cost-management processes	
1.3A.	Conduct appropriate activities to signify financial completion.	☐
1.3B.	Use available records to review project outcomes and determine effectiveness of project cost management.	☐
1.3C.	Review cost-management issues and document improvements.	☐

The Participant's performance was: ☐ Satisfactory ☐ Not Satisfactory

OBSERVER COMMENTS