BSBPMG514
MANAGE PROJECT COST

THEORY EXAM INSTRUCTIONS

- This exam will occur under standard assessment conditions.
  - 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)
- Participants must provide enough detail in their responses to demonstrate their knowledge and skills.
- Please fill in the details below, providing your name, signature and date of assessment.
  - Your signature acknowledges that this is your own work.
- Assessors are to complete marking in pen of a different colour to the Participant.
- If a Participant initially answers a question incorrectly but modifies their response, they must follow the instructions below:
  - If a Participant changes their response in writing, they must put their initials next to the written change.
  - If a Participant changes their response verbally, this must be noted on the exam paper by the assessor.

Participant name ______________________

Participant signature ______________________

Date ______________________

Assessor name ______________________

Assessor signature ______________________

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

Assessor's discretion. Should resemble: Plan Cost Management is the process that establishes the policies, procedures, and documentation for planning, managing, expending, and controlling project costs. PMBOK 5th edition

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

Answer

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	Information type
1	For example: The structure of cost and other accounts that the project will use for budgeting, recording and monitoring.
2	For example: Authorisation levels for expenditure.
3	For example: Units of measure to be used – for example staff hours, staff days; metres, kilometres; cubic metres, cubic feet.
4	For example: Control thresholds – such as the level at which dollar value and/or percentage variances that must be investigated.
5	For example: Earned value management (EVM) methods to be used – such as defining the performance points when cost control checks will be performed.
6	For example: Reporting frequency (usually weekly or monthly) and format.
7	For example: 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

Assessor's discretion. Should resemble: The work breakdown structure (WBS) hierarchically breaks down or decomposes the project to be delivered down into smaller and more manageable levels of deliverables. Work packages are the lowest level into which deliverables can be broken down. The estimated costs for these are added together to determine total project resource requirements before contingencies and reserves.

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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

Assessor's discretion. Should resemble: Costing deliverables that you buy in complete are relatively easy to cost from their market price plus any extra charges such as delivery. Deliverables made in-house must be broken down into each of their costs and these costs added together to determine the total cost of the deliverable.

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

Answer

Assessor's discretion. Should resemble: 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

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

Answer

Assessor's discretion. Should resemble: 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

Assessor's discretion. Should resemble: Parametric estimating is 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

Assessor's discretion. Should resemble: Time-phased budgeting allocates project costs over the project's timeline to the time they are forecast to occur.

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

Answer

Assessor's discretion. Should resemble: 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.

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

Answer

Assessor's discretion. Should resemble: Management reserves are extra project costs that are unforeseen when the project budget is being prepared. These are extra tasks that we could not anticipate, but which are part of the overall project funding

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

Answer

Assessor's discretion. Should resemble: Labour hourly rates were consistently underestimated in preparing the budget.

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

Answer

Term	Definition
Cost variance	Assessor's discretion. Should resemble: A cost variance occurs if our actual costs are different from what we budgeted for at this point in the project.
Schedule variance	Assessor's discretion. Should resemble: A schedule variance occurs when our costs are greater or lesser than we budgeted for because a project is ahead of or behind schedule.

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

Answer

	Information type
1	For example: Cost amount error – e.g. wages cost $50 per hour but you budgeted for $40 per hour
2	For example: Resource error – e.g. you budgeted for work to take 20 hours but it took 28 hours
3	For example: Extra tasks needed to be done that we did not foresee

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

Answer

Assessor's discretion. Should resemble: Variance thresholds are levels set in the project cost management plan as a control figure outside of which causes must be found for variances

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

Answer

Measure	Description
1	For example: Make sure that all costs are accrued into the project's costs before closing.
2	For example: 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	For example: The project manager should ensure that access to project accounts is closed.

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