BSBPMG533   **ASSESSOR GUIDE**

Manage project cost

Assessment 1 of 4
Short Answer Questions

Assessment Instructions

Task overview

This assessment task consists of 11 short answer questions. Read each question carefully before typing your response in the space provided.

Additional resources and supporting documents

To complete this assessment, you will need:

- Access to your learning materials
- Access to a computer and internet
- Access to Microsoft Word (or a similar program)

Assessment Information

Submission

You are entitled to three (3) attempts to complete this assessment satisfactorily. Incomplete assessments will not be marked and will count as one of your three attempts.

All questions must be responded to correctly to be assessed as satisfactory for this assessment.

Answers must be typed into the space provided and submitted electronically via the LMS. Hand-written assessments will not be accepted unless previously arranged with your assessor.

Reasonable adjustment

Students may request a reasonable adjustment for assessment tasks.

Reasonable adjustment usually involves varying:

> the processes for conducting the assessment (e.g. allowing additional time)
> the evidence gathering techniques (e.g. oral rather than written questioning, use of a scribe, modifications to equipment)

However, the evidence collected must allow the student to demonstrate all requirements of the unit.

Refer to the Student Handbook or contact your Trainer for further information.

Please consider the environment before printing this assessment.

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Short Answer Questions

Question 1

List the main steps in the budgeting process to establish, manage and review project costs.

Approximate word count: 100 – 120 words

Assessor instructions: Students must identify the budgeting process used to manage project costs. The process must include estimating costs using the WBS and reviewing project costs.

Students' wording and exact responses will vary, but they should paraphrase the model answers provided

1. Break down the project into tasks and milestones using a work breakdown structure. If there is no work breakdown structure, create the project scope and list all the tasks that need to be completed.
2. Estimate the cost of each item in the list – estimate the costs for each item considering the costs of resources and materials.
3. Total the estimates together.
4. Add contingency costs – it is recommended at 10% of the total project.
5. Get approval – the project sponsor or manager must approve the budget and project costs.
6. Review the budget, identify variances and take action.

Question 2

How is the WBS used to identify resource requirements and costs?

Approximate word count: 35 – 50 words

Assessor instructions: Students must demonstrate how to use a work breakdown structure to identify resource requirements and costs.

Students' wording and exact responses will vary, but they should paraphrase the model answers provided

The WBS defines the scope of a project and breaks the project into manageable components and tasks. A project manager can review the work breakdown structure with stakeholders to analyse the resource requirements to complete each task.

Question 3

Complete the table to define the budgeting tools and techniques used to determine project costs.

Assessor instructions: Students must complete the table; the wording of responses will vary, but they should paraphrase the model answers provided in the template. Additional guidance for assessors Is available from the links provided below.

Students must demonstrate knowledge of budgeting processes, tools and techniques and methods and tools for costing and cost analysis

Tool and technique	Definition
Expert judgement Approximate word count: 15-20 words	uses the experience and knowledge of project managers and experts to estimate the cost of a project Assessors can access additional information on Expert judgement via this link.
Analogous estimating Approximate word count: 10-20 words	Uses relevant historical data to identify precedents to predict future costs

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	Assessors can access additional information on Analogous estimating via this link.
Statistical modelling Approximate word count: 20-25 words	Uses statistical or parametric data to identify the key drivers and calculate the impact that changes have on the project cost Assessors can access additional information on Statistical modellingvia this link.
Bottom-up estimating Approximate word count: 10-20 words	Estimates the cost of individual tasks and calculates the overall cost of the project Assessors can access additional information on Bottom-up estimating via this link.
Three-point estimate Approximate word count: 20 words	Presents three project scenarios (most likely, optimistic and pessimistic) that are calculated in an equation to develop an estimated cost Assessors can access additional information on Three-point estimatevia this link.
Reserve analysis Approximate word count: 15-20 words	Determines the degree of contingency allocated to the budget to address uncertainties in the project Assessors can access additional information on Reserve analysis via this link.
Cost of Quality Approximate word count: 15-20 words	Quantifies quality-related costs in the project. There are four costs of quality: prevention, appraisal, internal failure and external failure. Assessors can access addition information on the cost of quality via this link.

Question 4

Describe the five steps of the budgetary control process.

> 1. Establish the actual position
>
> 2. Compare actual with budget
>
> 3. Calculate variances
>
> 4. Establish reasons for variances
>
> 5. Take action to exert control

Assessor instructions: Students must demonstrate knowledge of the five steps of the budgetary control process.

Students must complete the table; the wording of responses will vary, but they should paraphrase the model answers provided in the template. Additional guidance for assessors Is available from the link provided below.

Establish the actual position (60 to 70 words)	To know what funds to allocate for the next budget, you must know where you stand fiscally today. So, begin by assessing the amount spent till now on the items mentioned in the budget list. You can do it manually or use a comprehensive spend management tool that does the calculation for you in real-time. Then, note it all in your report.
Compare actual with budget	Having determined the actual spend, you'll need to determine whether you're right on the budget, way over or under it. To do this, compare the original

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[50 to 70 words]	budget figures and the current values to determine the difference. This difference will make you aware of the variances in the values of each item.
Calculate variances [50 to 70 words]	Figuring out variances isn't that difficult. You can do it easily on excel sheets or instantly with an automated accounting system integrated with a spend management tool. The difference will be positive if you have a budget surplus (stayed under budget). The difference will be negative if you have a budget deficit (stayed over budget).
Establish reasons for variances [80 to 90 words]	Now that you know which areas were over and under budget, you need to know why. For example, the budgets aren't properly set, or employees are not utilising the budget as intended. In both these instances, you'll have to employ the power of effective communication more than the cold, rational truth of numbers. As a business owner, you need to implore your management to understand the cause of these differences and suggest rectifications without coming across as overly judgemental or outright disrespectful.
Take action to exert control [80 to 90 words]	Once the information required to make changes has been gathered, it is time to work and apply those changes. These steps will be customised to suit your needs in line with your company's budget reports and overall management policies. Control measures can include: • increasing or decreasing the budget values • pausing the budget until the corrective actions have been fully implemented, updating and streamlining spending policies • working with department heads on budgets • ensuring that the budget guidelines are transparent and understood by all

Assessors can access additional information on Budgetary control process via this link.

Question 5

The following questions are about cost-benefit analysis.

    a)   In your own words, explain what a cost-benefit analysis is and how it is used in project management.
         Approximate word count: 40 – 50 words

    b)   List the steps to conduct a cost-benefit analysis.
         Approximate word count: 100 - 120 words

Assessor instructions:

    a)   Students must demonstrate knowledge of the cost-benefit analysis tool and method.
    b)   Students must demonstrate knowledge of the cost-benefit analysis method.

Students' wording and exact responses will vary but should paraphrase the model answers provided

a) Cost-benefit analysis is an evidence-based method used by organisations to make decisions. This tool is valuable in evaluating and developing project management as it accurately measures project finances. The cost-benefit analysis comprises equations to calculate the cost and returns of business activities, including projects.

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Question 6

Consider the options and considerations in managing human resource costs.

a) Describe how Internal recruitment may help contain costs.
b) Describe how recruiting people from outside of the organisation could impact costs.

Approximate word count: 70 – 80 words

Assessor instructions: Students must identify the budgeting process used to manage project costs.

Students' wording and exact responses will vary, but they should paraphrase the model answers provided

Considerations include:
a) **Internal recruitment** – Identifying potential people from within the organisation and checking if they are available and skilled to fulfil the roles could save money by reducing advertising and recruitment costs, and downtime training and inducting a recruit
versus
b) External recruitment – **recruiting people from outside of the organisation through:**
   o Advertising through online job forums, advertisements, and newspapers can add a layer of costs
   o Employment agencies – asking an employment agency to find a suitable person on your behalf, saving you time recruiting staff
   o Labour contractor – an agency provides contractors appointed for a particular period but adds additional costs; recruitment agencies' fees are around 20 to 30% of the employee's annual salary, though it can provide greater workforce flexibility.

Question 7

Scenario: A project has exceeded the initial cost time estimates. Explain how a project manager could use the reallocation of resources to manage the costs.

Approximate word count: 80 words

Assessor instructions: Students must demonstrate knowledge of the reallocation of resources strategy to manage costs for time spent.

Students' wording and exact responses will vary, but they should paraphrase the model answers provided

The project manager may identify that more time or money has been spent on particular aspects of the project. One strategy to address this over time is to use the time allocated or saved hours from other project areas. For example, if ten hours have been assigned to rebranding but only four hours have been used, the other six hours could be borrowed for different project parts so that the budget does not exceed initial cost estimates.

Question 8

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The following questions are about the cost management plan as a strategy to manage costs and their application to different situations.

a) Explain how a cost management plan is used to estimate and manage costs.
Approximate word count: 60-70 words

b) Explain the four phases that need to be considered to develop a cost management plan.
Approximate word count: 100-120 words

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a)
The purpose of the cost management plan is to manage and control project finances through resource planning, cost estimates and budgets.

The cost management plan:
- outlines the costs of the project
- describes factors that could increase costs
- describes cost control procedures

The development of an effective cost management plan should include accurate estimation and budget tolerance. Accurate estimate informs budget planning by forecasting and budgeting for potential risks.

b)
The four phases include:
- Resource planning – Application of a Work Breakdown Structure to define the hierarchy of the project and its deliverables. Shows where the greatest expenses occur in the project life cycle.
- Cost estimation – An iterative process that evolves during the project life cycle. Different techniques estimate the overall project cost: concept goals, historical data, expert analysis and determinative methods.
- Budgeting – A detailed account of cost and allocation for a project. Released in phases to ensure the project achieves its milestones for each budgetary phase.
- Cost control – A benchmark that measures the dollar value performance against the total cost and timeline throughout the project life cycle.

Question 9

The following questions are about earned value management (EVM).

a) In your own words, explain what is earned value management and how it is used to review costs against outcomes.
Approximate word count: 80 words

b) Provide two examples of earned value management formulas used to calculate performance indexes and variance analysis.
Approximate word count: 90 – 200 words

a)
The basic premise of earned value management (EVM) is straightforward: compare the value of work completed (the "earned value") to the original budget for that work (the "planned value"). The earned value is then compared to the actual costs incurred to complete the work (the "actual costs"). This simple calculation provides important insights into whether a project is on budget, ahead of schedule, or behind schedule.

EVM can be used to track progress in both monetary terms and physical terms.

b)
The student must provide two examples of EVM formulas which can be any two of the following:

Schedule Variance (SV)

The schedule variance is a way for project managers to figure out how much ahead or behind schedule, they are in the project. The formula to figure this out is as follows.

$$\text{Schedule Variance (SV)} = \text{Earned value (EV)} - \text{Planned Value (PV)}$$

Cost Variance (CV)

Cost variance is the difference between the actual cost of the project at that point. It's calculated compared against the planned budget cost for that period of time in the project plan. The formula is below.

$$\text{Cost Variance (CV)} = \text{Earned value (EV)} - \text{Actual Cost (AC)}$$

Schedule Performance Index (SPI)

The schedule performance index is a subset of EVM, which shows whether a project is ahead or behind schedule. It calculates the ratio of the performed work to the scheduled work. The formula for this is as follows.

$$\text{Schedule Performance Index (SPI)} = \text{Earned value (EV)} / \text{Planned Value (PV)}$$

Calculating the schedule performance index involves dividing the EV by the PV to measure progress achieved against where you expected to progress at a certain point. If you've come up with a value less than 1.0, it means that you've done less work than you projected for this point. While a value greater than 1.0 means you've completed more than was planned.

Cost Performance Index (CPI)

The cost performance index measures how efficient the costs are in the project. It's shown in a ratio of earned value to actual costs.

$$\text{Cost Performance Index (CPI)} = \text{Earned Value (EV)} / \text{Actual Cost (AC)}$$

For this calculation, you divide EV by the AC to measure the value of work completed against its actual cost. Again, if you reach a figure less than 1.0, your costs are higher than budgeted. A number higher than 1.0 means the costs are less than budgeted.

Estimated At Completion (EAC)

Estimated at completion is the current expectation of what the total costs will be for the project when it is done.

$$\text{Estimated at Completion (EAC)} = \text{budget at completion (BAC)} / \text{Cost performance index (CPI)}$$

With this calculation, you divide the total project budget by the CPI value you figured out above.

Question 10

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What information about delegated authority is included in an organisation's policy, procedures, and cost management plan?

Approximate word count: 40 – 60 words

Policies and procedures document the delegated authority who can make decisions about the project. The cost management plan's scope of responsibilities may include the following:
- Who can act with independence or within broad guidance?
- Who needs to be consulted to develop the cost management plan, such as other project members, teams and internal stakeholders?
- Who can take the lead and make decisions where required?

Question 11

Project managers must follow organisational policies and procedures.

Access the CBSA policies and procedures [accessible via the CBSA website]

In your own words, paraphrase each financial management policy and procedure document's purpose.

- IM014 – Project Management Policy and Procedures
- IM010 Procurement policy and procedures
- FN001 – Financial Management Policy

Project Management Policy and Procedures (50 – 60 words)	Purpose: This policy has been developed to provide staff with guidance on the management of organisational projects, from initiation and start up to project closure. The purpose of this policy is to ensure project management at Business Solutions Australia (CBSA) is guided by sound and consistent administration and management practices.
Procurement policy and procedures (60 – 70 words)	Purpose: This policy is designed to provide mandatory requirements for Complete Business Solutions Australia's (CBSA) staff in relation to the purchase of goods and services.The objectives of this policy and procedure are to: - Obtain value in the expenditure for goods and services - Ensure ethical and fair treatment of participants - Ensure probity, accountability and transparency in purchasing operations

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	• Ensure sustainability forms part of the selection process
Financial Management Policy (30 – 40 words)	Purpose: This policy ensures that the finances of Complete Business Solutions Australia (CBSA) are accurately maintained, substantiated and reported. CBSA conducts its business to ensure financial viability and effective risk management at all times.

Assessment submission checklist:

Students must have completed all questions within this assessment before submitting. This includes:

1	Eleven short answer questions to be completed in the spaces provided.	☐

Congratulations, you have reached the end of Assessment 1

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