

Cost Management Plan

Confidentiality/Security Warning

The information contained within this document is proprietary to and is confidential. It may not be disclosed to any party outside its intended audience without the written permission of _____. This document may not be reproduced, either by photocopy or electronically without the written permission of _____. Every recipient of this document acknowledges, by retention and use, the confidential nature of the material contained herein, and agrees to prevent the distribution of this document, by intent or otherwise, beyond its intended audience.

Document Information and Revision History

Version	Date	Author(s)	Revision Notes
1.0			New

COST MANAGEMENT PLAN	
PROJECT	
Version #: 1.0	Issue Date:

Table Of Contents

- 1. INTRODUCTION.....1**
 - 1.1. PURPOSE OF THE COST MANAGEMENT PLAN.....1
- 2. PROJECT COSTS.....1**
 - 2.1. MAJOR PROJECT COSTS.....1
 - 2.2. POTENTIAL CAUSES OF INCREASES IN COST OR EFFORT.....2
 - 2.2.1. Labor costs2
 - 2.2.2. Equipment Acquisition Costs2
 - 2.2.3. Other Costs2
- 3. PROJECT CONTROL PROCEDURES2**
 - 3.1. IDENTIFICATION OF COST AND EFFORT PROBLEMS2
 - 3.2. RESOLUTION OF COST PROBLEMS3
 - 3.3. APPLYING CONTINGENCY3

APPENDIX A – DETAILED PROJECT SCHEDULE

□

COST MANAGEMENT PLAN	
PROJECT	
Version #: 1.0	Issue Date:

1. Introduction

1.1. Purpose of the Cost Management Plan

The Cost Management Plan has the following purposes:

- To present the costs and effort estimates of the project;
- To identify factors that will tend to increase the costs or effort; and
- To describe procedures that will be used to deal with increases to the cost and effort.

2. Project Costs

2.1. Major Project Costs

Detailed project costs are provided in Appendix A. The following table provides the major costs of the project.

Cost Category		Cost
Direct labor	Hours	\$
Indirect labor	Hours	\$
<i>Total labor costs</i>		\$
Hardware acquisition		\$
Software acquisition		\$
<i>Total equipment acquisition costs</i>		\$
Consulting		\$
Subcontractor		\$
Travel and living		\$
Financial		\$
<i>Total other costs</i>		\$
Contingency costs		\$
<i>Total project costs</i>		\$

COST MANAGEMENT PLAN	
PROJECT	
Version #: 1.0	Issue Date:

2.2. Potential Causes of Increases in Cost or Effort

Following is a list, for each cost category, of the factors that could lead to an increase in costs.

2.2.1. Labor costs

- Project activities require more effort than planned, resulting in increased labor costs;
- Unplanned, paid overtime is required to complete the activities on schedule; and
- More expensive resources than planned are assigned to the project.

2.2.2. Equipment Acquisition Costs

- Additional hardware, software, or both are needed by the project team to complete the project;
- Additional production hardware, software, or both are needed to run the completed application;
- The costs of acquiring hardware is higher than originally planned; or
- The costs of acquiring software or software licenses is higher than originally planned.

2.2.3. Other Costs

- Consulting costs are higher than planned;
- Additional subcontractor effort is needed;
- More travel than was planned is required; or
- Financing costs are higher than expected.

3. Project Control Procedures

3.1. Identification of Cost and Effort Problems

- Weekly (or other) review of activity status and estimates to complete work packages. Each current activity will be reviewed and an estimate to complete it will be made. The estimate to complete (ETC) will be added to the effort already spent. A potential cost increase occurs when that total (EAC) exceeds the original estimate.
- Weekly (or other) review of unplanned requirements such as equipment, staff, or consulting resources. The adequacy of current resources, human and equipment, will be reviewed. A potential cost increase occurs when the need for additional resources is identified.
- Weekly (or other) review of customer activities and performance. The response of the customer team will be reviewed, particularly for current

□

□

COST MANAGEMENT PLAN	
PROJECT	
Version #: 1.0	Issue Date:

activities. A potential cost increase occurs when there are delays in responsiveness or customer decisions.

- Weekly (or other) review of risks and changes to risks. The current status of risks will be reviewed as described in the Risk Management Plan. A potential cost increase occurs when existing risks have become riskier or when new risks have been identified.
- Weekly (or other) review of changes to scope, approved or otherwise. The current status of scope compliance will be reviewed as described in the Scope Management Plan. A potential cost increase occurs when unapproved scope changes are being carried out.

3.2. Resolution of Cost Problems

- Accept the cost increase
The cost increase will be accepted by _____ and _____.
- Reduce the scope
The project manager will consult with the customer to determine if the scope can be reduced and, if so, what items of functionality can be eliminated or deferred.
- Obtain approval for cost increases
Where the cost increases, the project manager will review the impact with (for time and materials contracts) or the management of (for fixed price contracts) and obtain approval to accept the increased cost. This may mean further expenditures for items such as equipment or consulting services.
- Reduce the impact of cost increases
Reduce the costs associated with the project by (lowering labor charge rates, negotiating reduced consultant charges, applying costs to other charge centers, implementing unpaid overtime, replacing consultants by in-house staff, reducing travel)
- Apply contingency
See below for the procedure to apply contingency to a cost increase.

3.3. Applying Contingency

Following is the procedure for applying contingency to cover cost increases or schedule slippages.

Contingencies are under the sole control of the management of _____. The application of contingency will be transparent to customers and will occur when the project manager makes a request to company management to apply it.

The steps to apply contingency are as follows:

1. Identify the reason for the cost increase or schedule slippage and the expected total impact.

COST MANAGEMENT PLAN	
PROJECT	
Version #: 1.0	Issue Date:

2. Present the contingency request to the management of _____.
3. Upon approval, update the project plan, reducing the cost contingency available.
4. If the request is not approved, follow company management's directions for dealing with the cost increase.

□

□

COST MANAGEMENT PLAN	
PROJECT	
Version #: 1.0	Issue Date:

COST MANAGEMENT PLAN	
PROJECT	
Version #: 1.0	Issue Date:

Appendix A: Detailed Project Costs

Cost Management Plan Acceptance

Approver for :

_____ Date _____

Approver for :

_____ Date _____

Project Manager Approval:

_____ Date _____
Project Manager

□

□