

OVERVIEW ABOUT PROJECT COST MANAGEMENT

DROB Catalin
University of Bacau
catad@ub.ro

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Abstract: The purpose of this study is to present the main aspects regarding project cost management. This study is based on the four editions of the Guide to the Project Management Body of Knowledge (PMBOK) developed by the Project Management Institute (PMI) during 1996-2008. According to the last edition of PMBOK, project cost management is concerned with ensuring that the project is completed within the approved budget and includes the processes involved in estimating, budgeting (determine budget) and controlling cost.

The concept of cost can be approached from several points of view. Thus, the cost can be defined as:

- the amount of money spent to produce or purchase a product, performing a work or providing a service;
- a resource sacrificed to achieve a specific objective etc.

In a project, costs can be associated with activities or materials or human resources. In accordance with the first editions (1996 and 2000) of the PMBOK (Guide to the Project Management Body of Knowledge) document, prepared by the Institute of Project Management, project cost management involves resource planning, estimating, budgeting and cost control.

According to the third edition (2004) of the same document, project costs management concern only three of the four processes listed above, namely: estimating, budgeting and cost control.

Latest edition of the PMBOK document, from 2008, regarded as distinct processes of project costs management as follows: estimate costs, determine budgets and control costs.

Estimate costs involves developing an approximation of the costs of all resources used in the project. Cost estimating problem is not easily achieved, because there are very many categories and sub-categories of costs.

The budget of the project is the amount of money available to the project team to achieve objectives under the conditions specified by the client.

Cost control should ensure monitoring and control of factors that could cause changes or deviations of costs.

Even if no longer regarded as a distinct project cost management, resource planning is an important step that provides the foundation of estimating, budgeting and cost control.

These processes are closely connected and involve an intense effort both individually and collectively to meet the budgetary restrictions imposed on the project.

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