



Managing Project Finances

Understanding and Controlling Project Costs

A well-managed project is completed on time, on spec, and on budget.

It's generally the case that cost is one of the major factors in determining the success of a project – and no one wants to be responsible for a cost overrun. With that in mind, how do you make sure that you keep "on budget" with your project?

The simple answer is "control." If you're going to have any chance of staying within budget, then you need to manage the project costs proactively and systematically. Thankfully, there are many tools and ideas that can give you this control.

Project cost management includes three basic processes:

1. Cost estimating – Making your best assessment of the costs of the resources needed to complete a project.
2. Cost budgeting – Assigning cost estimates to individual work items and establishing a baseline for measuring performance.
3. Cost control – Controlling changes to the project budget.

By managing these processes, and their inputs and outputs, you can develop an effective system to ensure that your resource costs remain within the approved budget. In short, project cost management is the process of doing the following:

- Communicating budget limits to project designers, and to the people who are implementing the project.
- Collecting actual cost data.
- Comparing actual costs to the original budget.
- Taking corrective action as needed.

Peak Learning LLC has been approved by PMI to issue 1 PDU for this course.



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