

INTRODUCING PROJECT COST MANAGEMENT EXERCISES & QUIZ

Introducing Project Cost Management Exercises
& Quiz

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EXERCIS 1:

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EXERCIS 2:

Answer the questions below

What are the advantages of Analogous Estimating?	What are the disadvantages?

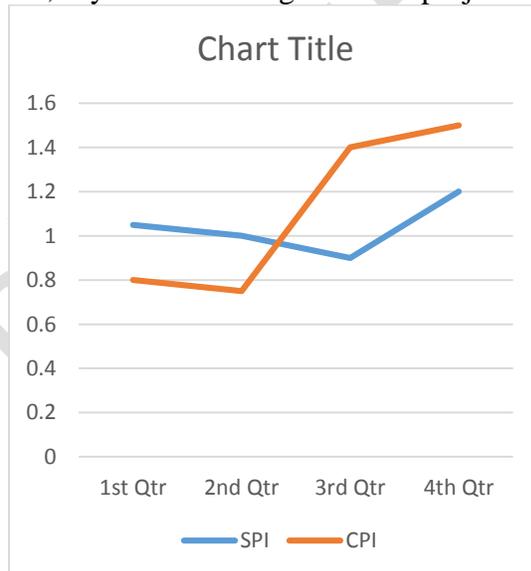
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You have a project to build a new fence. The fence is for equal sides. Each side is to take one day to build and is budgeted for US \$1,000 per side. The sides are planned to be completed one after the other. Today is the end of day three

Using the project status chart below, calculate Earned Value, etc.

Task	Day 1	Day 2	Day 3	Day 4	Status at the end of Day 3
Side 1	S----F				Complete, spent \$1,000
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KEY: S – Actual Start, F – Actual Finish, PS – Planned Start, PF – Planned Finish

What is:	Calculation	Answer	Interpretation of the answer
PV			
EV			
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EXERCIS 6:

For each row on the following chart, enter the letter of the project you would select if the following information were provided.

	Project A	Project B	Which project would you pick?
NPV	\$95,000	\$75,000	
IRR	13%	17%	
Payback Period	16 months	21 months	
Benefit Cost Ratio	2.79	1.3	

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Practice Quiz

- 1) Which one of the following best describes analogous estimating?
 - A. Regression analysis
 - B. Bottom up estimating
 - C. Less accurate
 - D. More accurate

- 2) You are the project manager for GHG Project. You are about to create the cost estimates for the project. Which input to this process will help you the most?
 - A. Parametric modeling
 - B. WBS
 - C. Project scope
 - D. Requirements document

- 3) You are the project manager for the JKH Project. You have elected to use parametric modeling in your cost estimating for the project. Which one of the following is an example of parametric modeling?
 - A. \$750 per ton
 - B. Historical information from a similar project
 - C. Estimates built from bottom-up based on the WBS
 - D. Estimates based on top-down budgeting

- 4) You are the project manager for a new technology implementation project. Management has requested that your estimates be as exact as possible. Which one of the following methods of estimating will provide the most accurate estimate?
 - A. Top-down estimating
 - B. Top-down budgeting
 - C. Bottom-up estimating
 - D. Parametric modeling

- 5) Your company has been hired to install the tile in 1000 hotel rooms. All rooms will be identical in nature and will require the same amount of materials. You calculate the time to install the tile in each hotel room as six hours. The cost for labor for each room is calculated at \$700. Your Project Sponsor disagrees with your labor estimate. Why?
 - A. You haven't completed one hotel room yet so you don't know how long the work will actually take.
 - B. You have not factored in all of the effort applied to the work.
 - C. You have not considered the law of diminishing returns.
 - D. You have not considered the learning curve.

- 6) You are the project manager for a construction project to build 17 cabins. All of the cabins will be identical in nature. The contract for the project is set at a fixed cost, the incentive being the faster the project work is completed, the more the profitable the job. Management has requested that you study the work method to determine a faster, less costly, and better method to complete the project. This is an example of which one of the following?
- A. Time constraint
 - B. Schedule constraint
 - C. Value analysis
 - D. Learning curve
- 7) You are the project manager for a technical implementation project. The customer has requested that you factor in the after-the-project costs, such as maintenance and service. This is an example of which one of the following?
- A. Life cycle costs
 - B. Scope creep
 - C. Project spin off
 - D. Operations
- 8) Which one of the following provides the least accurate in estimating?
- A. Rough order of magnitude
 - B. Budget estimate
 - C. Definitive estimate
 - D. WBS estimate
- 9) Which one of the following is true?
- A. The cost management plan controls how change management affects the BAC.
 - B. The cost management plan controls how cost variances will be managed.
 - C. The cost management plan controls how the project manager may update the cost estimates.
 - D. The cost management plan controls how the BAC may be adjusted.
- 10) You have just started a project for a manufacturer. Project team members report they are 30 percent done with the project. You agree with their completion status but do not change any of the progress in your report to the customer. This is an example of which one of the following?
- A. 50/50 rule
 - B. 0/100 rule
 - C. Percent Complete Rule
 - D. Poor project management

- 11) You and your project team are about to enter a meeting to determine project costs. You have elected to use bottom-up estimating and will base your estimates on the WBS. Which one of the following is not an attribute of bottom-up estimating?
- A. People doing the work create the estimates
 - B. Creates a more accurate estimate
 - C. More expensive to do than other methods
 - D. Less expensive to do than other methods
- 12) What is the present value if the organization expects to make \$100,000 four years from now and the annual interest rate is six percent?
- A. \$100,000
 - B. \$58,000
 - C. \$25,000
 - D. Zero
- 13) You are the project manager for the construction of a new hotel. Before you begin the cost budgeting process, what is needed?
- A. Costs estimates and project schedule
 - B. Cost estimates and supporting detail
 - C. EAC and BAC
 - D. Parametric model used to arrive at the costs submitted
- 14) You are the project manager of the MNJ Project. Your project is falling behind schedule and you have already spent \$130,000 of your \$150,000 budget. What do you call the \$130,000?
- A. Planned value
 - B. Present value
 - C. Sunk costs
 - D. Capital expenditure
- 15) You are the project manager of the JHD Project. Your project will cost your organization \$250,000 to complete over the next eight months. Once the project is completed, the deliverables will begin earning the company \$3500 per month. The time to recover the costs of the project is which one of the following?
- A. Not enough information to know
 - B. Eight months
 - C. 72 months
 - D. 5 years
- 16) You are the project manager for the consulting company. Your company has two possible projects to manage, but they can only choose one. Project KJH is worth \$17,000, while Project ADS is worth \$22,000. Management elects to choose Project ADS. The opportunity cost of this choice is which one of the following?
- A. \$5,000
 - B. \$17,000
 - C. \$22,000
 - D. Zero, as project ADS is worth more than Project KJH

- 17) You are the project manager for the CSR Training Project, and 21,000 customer service reps are invited to attend the training session. Attendance is optional. You have calculated the costs of the training facility, but the workbook expense depends on how many students register to the class. For every 5000 workbooks created the cost is reduced a percentage of the original printing cost. The workbook expense is an example of which one of the following?
- A. Fixed costs
 - B. Parametric costs
 - C. Variable costs
 - D. Indirect costs
- 18) You are the project manager of a construction project scheduled to last 24 months. You have elected to rent a piece of equipment for the duration of a project, even though you will need the equipment only periodically throughout the project. The costs of the equipment rental per month are \$890. This is an example of
- A. Fixed costs
 - B. Parametric costs
 - C. Variable costs
 - D. Indirect costs
- 19) You are the project manager for the Hardware Inventory Project. You have a piece of equipment that was purchased recently for \$10,000 and is expected to last five years in production. At the end of the five years the expected worth of the equipment is \$1,000. Using straight-line depreciation, what is the amount that can be written off each year?
- A. Zero
 - B. \$1,000
 - C. \$1,800
 - D. \$2,000
- 20) You are the project manager of the LKG Project. The project has a budget of \$290,000 and is expected to last three years. The project is now ten percent complete and is on schedule. What is the BAC?
- A. \$29,000
 - B. \$290,000
 - C. \$96,666
 - D. \$9,666
- 21) Your project has a budget of \$130,000 and is expect to last ten months, with the work and budget spread evenly across all months. The project is now in month three, the work is on schedule, but you have spent \$65,000 of the project budget. What is your variance?
- A. \$65,000
 - B. \$39,000
 - C. \$26,000
 - D. \$64,999

- 22) You are the project manager of the Carpet Installation Project for a new building. Your BAC is \$600,000. You are now 40 percent done with the project, though your plan called for you to be 45 percent done with the work at this time. What is your earned value?
- A. \$240,000
 - B. \$270,000
 - C. \$30,000
 - D. -\$30,000
- 23) You are the project manager of the Carpet Installation Project for a new building. Your BAC is \$600,000. You have spent \$270,000 of your budget. You are now 40 percent done with the project, though your plan called for you to be 45 percent done with the work at this time. What is your CPI?
- A. 100
 - B. 89
 - C. .89
 - D. .79
- 24) You are the project manager for the Facility Installation Project. The project calls for 1500 units to be installed into a new baseball stadium. Your team wants to know why you have not assigned the same amount of time for the last 800 units as you had for the first five hundred units. You tell them it is because of the learning curve. Which one of the following best describes this theory?
- A. Production increases as workers become more efficient with the installation procedure.
 - B. Efficiency increases as workers become more familiar with the installation procedure.
 - C. Costs decreases as workers complete more of the installation procedure.
 - D. Time decreases as workers complete more of the installation procedure in the final phases of a project.
- 25) Of the following, which one is the most reliable source of information for estimating project costs?
- A. Historical information from a recently completed project
 - B. An SME's opinion
 - C. Recollections of team members that have worked on similar projects
 - D. Vendor's white papers

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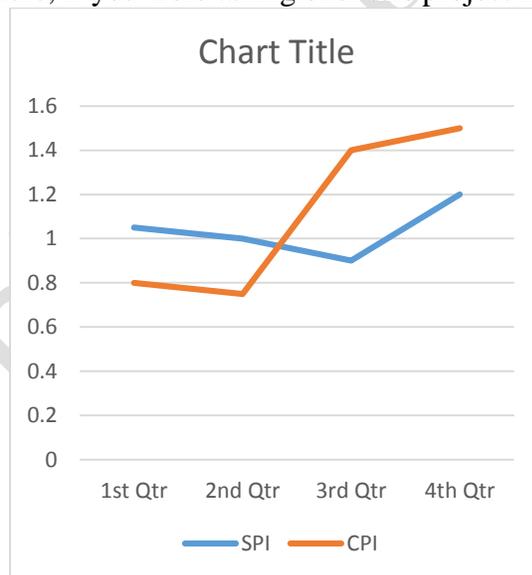
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QUIZ ANSWERS

- 1) C
- 2) B
- 3) A
- 4) C
- 5) D
- 6) C
- 7) A
- 8) A
- 9) B
- 10) B
- 11) D
- 12) B
- 13) A
- 14) C
- 15) C
- 16) B
- 17) C
- 18) A
- 19) C
- 20) B
- 21) C
- 22) A
- 23) C
- 24) B
- 25) A

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