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BSBPMG412_MCI - APPLY PROJECT COST MANAGEMENT TECHNIQUES

Summative assessment 2 (0% completed)

Project 1

Scenario: You are a project coordinator for the Sydney office of your company. It is 1 October, and your general manager has given you the task of organising the company's annual Christmas party. There are 85 people in the office, and there is no suitable space within the office where it could be held. Some of the things you will have to think about are the venue, the food and drink, the music, transport, and marketing (i.e. promoting the party and sending out invitations). You have a great deal of freedom in what kind of party you would like it to be, but your plan has to be approved by the general manager. She has told you that you have a budget of \$8,000, which must be strictly adhered to.

1 Task 1

This task requires you to develop a budget for the Christmas party project.

Your first step in developing the budget will be to complete a Work Breakdown Structure (WBS), so that you know exactly the work packages that you have to budget for. A WBS has been completed for you below.

Level 0	Level 1	Level 2	Work packages		
Christmas party	1 Venue	1.1 Venues research	1.1.1 Internet search		
			1.1.2 Personal enquiries		
		1.2 Venue booking	1.2.1 Booking confirmation		
			1.2.2 Payment of deposit/full fee		
			2 Food and drink	2.1 Determination of dietary requirements	2.1.1 Survey design
					2.1.2 Survey send-out
	2.2 Catering	2.2.1 Food and drink purchase			
		2.2.2 Catering staff hire			
	3 Music	3.1 Performer(s) research	3.1.1 Internet search		
			3.1.2 Personal enquiries		
		3.2 Performers() booking	3.2.1 Confirm booking		
			3.2.2 Payment of deposit/full fee		
			4 Transport	4.1 Determination of numbers requiring transport to/from venue	4.1.1 Survey design
					4.1.2 Survey send-out

		4.2 Research transport options	4.2.1 Confirmation of bookings
			4.2.2 Payment of deposit/full/fee
5 Marketing	5.1 Confirmation of number of attendees		5.1.1 Survey design
			5.1.2 Survey mail-out
	5.2 Invitations		5.2.1 Invitation design
			5.2.2 Invitations mail-out

Instructions:

Develop a budget for the Christmas party project, based on the WBS above. For each item in your budget, you should specify:

- o The description of the item
- o The item ID
- o The method you used to estimate its cost (analogous, parametric, or bottom-up)
- o Whether it is a direct or indirect cost
- o The estimate of the cost
- o The total cost

You should also include in the budget:

- o A management (contingency) reserve.

You should be aware that, even if a task - say, a design task - is completed by a staff member in the office, this is still an indirect cost which needs to be included in the budget, as that person will not be able to perform their usual job while undertaking the task.

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2 Task 2

It is now 1 November, the halfway point of the project. The project is 50% complete, and you should have spent 50% of your budget. However, the actual cost so far is 65% of budget. The reason for this is that the venue has cost more to hire than expected, because of the high demand for party venues in December.

a. Using the technique of Earned Value Management:

i. What is the Cost Variance (CV)?

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ii. What is the Cost Performance Index (CPI)?

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iii. Assuming that the rest of the project will go as planned, with no further cost overruns, what is the Estimate at Completion (EAC)?

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- b. It appears that the project is going to cost more than the budget that was agreed on with the sponsor (your general manager). Briefly discuss two (2) possible ways that you could deal with this situation.

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- c. Everyone had a great time at the party. It is January next year, and you are in your general manager's office conducting a review of the project.

- i. Draw up a table comparing planned with actual costs for project, for presentation to the sponsor. Base your comparison on one of the solutions you discussed in 2.b above. Don't forget to include the cost overrun for the venue hire.

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- ii. What recommendation could you make to your general manager as to how to avoid the cost overrun for the venue in future?

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