



Managing Project Budgets

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Budget Tracking Continuum



None



Labor Only



Everything!

← Less

More →

Adding Value



None



Adding Value



Labor Only



Adding Value



Everything!






Why Projects Fail

- Financial estimates are poor
- Not enough time is allowed for proper estimating
- Estimates are best guesses, not based on either standards or historical data gathered on similar projects



Inaccurate Project Estimates

- ▶ Factors that lead to inaccurate project estimates:
 - ▶ Lack of time to estimate for uncertainty
 - ▶ Need low estimate in order to sell the project



Inputs to Creating a Good Project Budget

- Know your team
- Document the project scope
- Set realistic goals and timelines
- Communicate, Communicate, Communicate
- Know your risks and watch for them
- Celebrate milestones
- Have contingency plans

From <<http://blog.mavenlink.com/a-project-manager-s-top-ten-tips-for-keeping-a-project-on-time-and-on-budget>>



**Remember there is no
way every detail of
every project can be
under your control**



Key Project Budget Steps

- Create your own model for budgeting
- Calculate your costs
- Continuously monitor
- Stay within scope
- Keep it transparent

From <<https://explore.easyprojects.net/blog/4-steps-to-super-successful-budgeting-for-project-managers>>



Scope Creep

- ▶ Scope creep is one of the leading causes of project overruns.
- ▶ As unplanned work finds its way into your project, billable hours mount and the project budget can get out of control.
- ▶ Project managers must carefully manage scope by creating change orders for work that isn't covered by the project's initial requirements.
- ▶ Change orders authorize additional funding for the project to cover the cost of extra work and thus keep the project aligned with its new budget.



Project Costs

- Fixed Costs
- Variable Costs
- Direct Costs
- Indirect Costs
- Sunk Costs



Common Project Costs

- Direct Costs:
 - Software
 - Hardware (servers, network, storage, etc.)
 - Materials
 - Some Professional Services/Sub-Contractors
 - Travel
 - Maintenance
- Variable Costs:
 - Labor
 - Contract Labor
 - Some Professional Services Fees

Tracking Project Costs



Tracking Project Costs



- ▶ Excel can be used to track the details of your project costs



Example

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	Cost Category														
2															
3	2018														
4															
5		01-18	02-18	03-18	04-18	05-18	06-18	07-18	08-18	09-18	10-18	11-18	12-18	Total 2018 Projection	NOTES
6														\$ -	
7	Cost Item # 1		\$ 20,000											\$ 20,000	Scheduled to be delivered 2/15
8														\$ -	
9	Cost Item # 2			\$ 30,000										\$ 30,000	
10														\$ -	
11	Cost Item # 3					\$ 5,000	\$ 5,000	\$ 5,000						\$ 15,000	
12														\$ -	
13														\$ -	
14														\$ -	
15														\$ -	
16														\$ -	
17	2018 Total Cost	\$ -	\$ 20,000	\$ 30,000	\$ -	\$ 5,000	\$ 5,000	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,000	
18															

Hardesty Susie:
Delivered on 2/17, Paid
on 3/10



Tracking Monthly Costs

- ▶ Cash Basis vs. Accrual Basis
 - ▶ Cash Basis impacts the project budget when payment is made
 - ▶ Accrual Basis impacts the project budget when the work is completed



Contractor
completed
\$10,000 of
work in
April

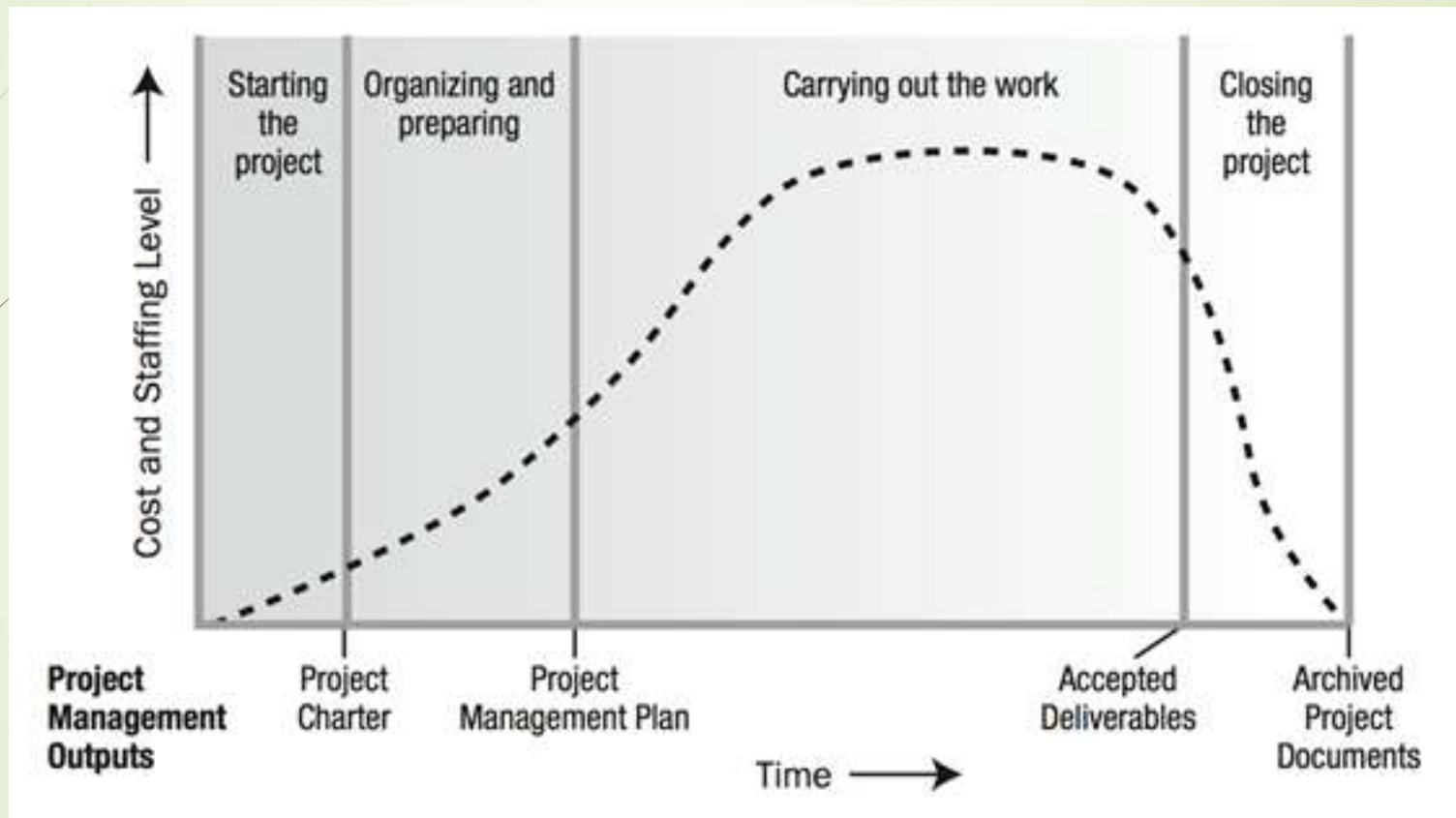
Cash Basis

April	May
	Payment \$10,000
April Total -0-	May Total \$10,000

Accrual Basis

April	May
Accrual \$10,000	Reversal (\$10,000)
	Payment \$10,000
April Total \$10,000	May Total -0-

Project Cost Cycle





Questions?



Appendix

Types of Project Costs

- **Fixed Costs:** Fixed costs stay the same and do not change throughout the project lifecycle. Examples of fixed costs include setup costs, rental costs, and other related costs.
- **Variable Costs:** Variable costs are costs that change with the amount of work involved with a project. Examples of variable costs are hourly labor, the cost of material, the cost of supply, fuel for bulldozers, etc.
- **Direct Costs:** Direct costs are expenses that are billed directly to the project. Examples of direct costs are team travel expenses, team wages, costs incurred for [recognition and awards](#) for employees, etc.
- **Indirect Costs:** Indirect costs are costs that are shared and allocated among several or all projects. Examples include fringe benefits and taxes. Another example of indirect costs would be the salary of an architect or a project manager who is partially allocated across many projects. Their team members' salaries would be direct costs since each of them is directly working on a particular project and their salary is a direct cost to the project. But since the project manager is allocated to several projects, the costs incurred on his salary are indirect costs to the project.
- **Sunk Costs:** Sunk costs are costs that have been incurred on a project but have not produced value towards the project objectives. Think of sunk costs as spilled milk. If they are unrecoverable, they are to be treated as if they are irrelevant. For instance, let's assume that you hire a freelance developer to develop your website in Java. However, after working on the job for some time, the developer quits for a personal reason. When you hire another developer for the job, he convinces you that he could do a better job using [.NET technologies](#), and you follow his advice to develop the website with NET. In such a case, the costs that you have incurred on the freelance Java developer could be treated as sunk costs.

From <<https://www.simplilearn.com/pmp-examination-preparation-types-of-cost-article>>



Need Help?

- Accounting Department
- Internet

Project budget - Office Templates

<https://templates.office.com/en-us/Project-budget-TM04022387> ▼

Project budget. Plan your project budget and track actual expenditures over time with this spreadsheet template. Estimate costs for project design, development, delivery, and management and compare with actual costs incurred. Excel. Download. Share. Project budget ...

Free Project Budget Template - Vertex42

<https://www.vertex42.com/ExcelTemplates/project-budget.html> ▼

Download a free Project Budget template for Excel. Easily create a detailed project budget to help you track expenses.

Free Excel Project Management Templates - Smartsheet

<https://www.smartsheet.com/top-project-management-excel-templates> ▼

Project Tracker - Excel Template. House all your project information in one central place, so everyone involved knows exactly where to look for important details. With the project tracking template, you can add tasks, status, priority, deliverables, deadlines, cost, hours, and more for your whole project. If you're managing a ...

Free Construction Project Management Templates in Excel - Smartsheet

<https://www.smartsheet.com/excel-construction-project-management-templates> ▼

The construction budget template is helpful for both building and remodeling projects. This template enables you to create a comprehensive construction project budget and ensure that you account for all important items on the list. Additionally, while the construction project is underway, use this spreadsheet as a baseline to ...

Free Budget Templates in Excel for Any Use - Smartsheet

<https://www.smartsheet.com/top-excel-budget-templates> ▼

Additionally, we will provide an in-depth look at how to use a Personal Monthly Budget in Excel and also in Smartsheet. How to Choose the Right Budget Template; Business Budget; Department Budget; Project Budget; Academic Club Budget; College Student Budget; Early Retirement Budget Sheet; Family Budget Planner ...



Other Resources

- [Provide-Based Resource Estimation Service](#) document located on the CEB site. May require an account in order to access this document.
- [Ignition Guide to Resource Capacity Planning](#) document located on the CEB site. May require an account in order to access this document.