



Cost Management

Understanding & System Implementation





About the course

The course main goal is to illustrate the cost management processes in details to facilitate its implementation in projects.

So, It focuses on the practical part of the cost management (implementation) more than the theoretical part which is covered by other courses / material.

It doesn't concentrate on the data but the sources of data and data organization.

It's sharing of the instructor experience in this field.



Course Contents

- **Introduction to Cost Management**
- **Cost Estimation & Cost Plan**
 - ✓ Cost Estimate
 - ✓ Budget Preparation
 - ✓ Cash Flow
- **Cost Control Process**
 - ✓ Actual Cost (Data Collection)
- **Cost Reports & Analysis**
 - ✓ Cost Reports (Earned Value / Variances / Performance / Corrective Actions)
 - ✓ Manpower Productivity Report
- **Financial Claims**



Introduction to Cost Management

Definition of Cost Management

- Total Cost Management is the effective application of professional and technical expertise to plan and control resources, costs, profitability and risk. Simply stated, it is a systematic approach to managing cost throughout the life cycle of any enterprise, program, facility, project, product or service.
- TCM is the sum of the practices and processes that an enterprise uses to manage the total life cycle cost investment in its portfolio of strategic assets. The practices are called cost engineering; the process through which the practices are applied is called TCM.

Ref.: Skills & Knowledge Of Cost Engineering



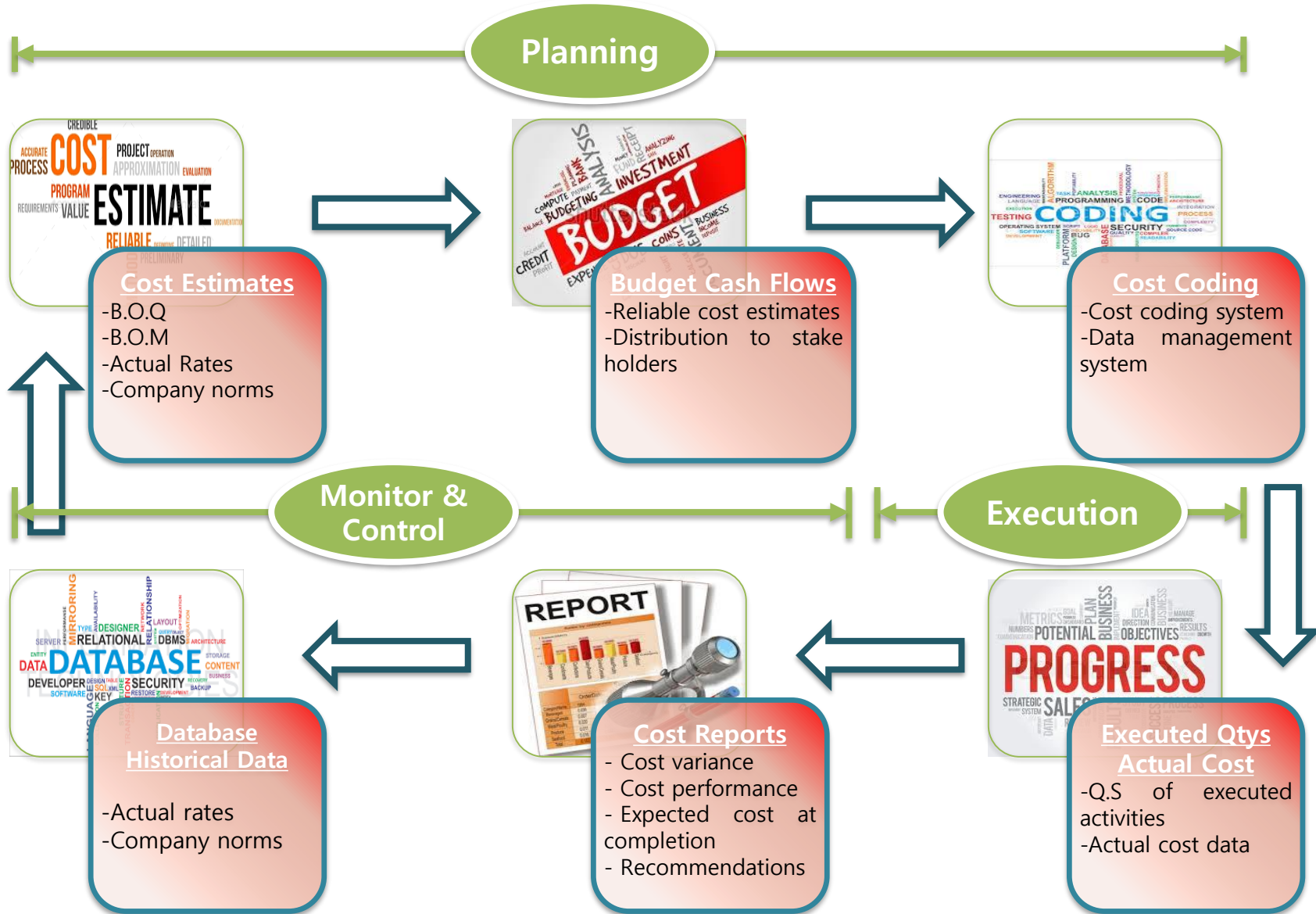
Introduction to Cost Management

Deference between Cost management, Cost engineering and Cost control

- **Cost Management:** The sum of processes and practices to manage a life cycle cost.
- **Cost Engineering:** The practices applied through the cost management.
- **Cost Control:** A specific stage in the cost management that follows the cost estimation stage and starts with the project execution.

Introduction to Cost Management

Cost Management Stages





Introduction to Cost Management

Cost Accounting

It's the recording and reporting of a project's cost historical data classified and summarized.

(which is essential for cost estimates / budgeting)

Cost Accounting Approaches

1. Code of accounts (Chart of accounts)

It's a systematic numeric method of classifying various categories of costs incurred in the progress of a job to support the recording of cost data in the general ledger.

Example: engineering, procurement, fabrication, construction ... etc.

This approach does not generally provide the visibility needed to manage the work or to make informed forecasts of the cost of new jobs.



Introduction to Cost Management

2. Activity-based costing (ABC)

It's the approach of classifying and summarizing the project cost in the form of activities (Cost elements are assigned to activities).

Example: CSI Coding, Primavera activity coding.

This approach makes cost accounts understandable and logical and much more useful for the cost engineer.

3. Work Breakdown Structure (WBS)

Similar to ABC, classifying and summarizing the project cost in the form of work packages (high level of activities).

It's a tree structure of successively further breakdowns of work scope into component parts for planning, assigning responsibility, managing, controlling, and reporting project progress.

When used to classify and record costs, the WBS becomes the cost element structure (CES).

WBS: Work Breakdown Structure

CES: Cost Element Structure

CBS: Cost Breakdown Structure

Ref.: Skills & Knowledge Of Cost Engineering (with modifications)