

Scenario 3 - Cost Management

Important Note:

Some questions may contain Additional Information over and above information provided in the scenarios. Use that Additional Information to answer respective questions.

ABC Company, awarded the Initiation contract to Franklin Consultants. The initiation contract consisted of 8,00,000 USD (initial estimate) cost reimbursable contract with a fixed fee of 7 % of initial estimated cost. ABC Company also included an incentive clause stating that if there is cost saving in the project then it will be shared as 70:30 with Franklin Consultants (30% of savings would be given to Franklin Consultants).

Project manager of ABC Company has decided to use Earned value Management for performance review of Franklin Consultants deliverables. He informed the Project Manager of Franklin Consultants that a status will be taken on the last day of every month.

For performance measurement the total project cost considered for cost baseline is 8,00,000 USD. Only 4 deliverables were planned in the first month. At the end of first month the status was as follows:

Sr No	Deliverable	Estimated Cost of the deliverable	Planned completion till status date	Actual Cost spent till status date	As on Status date Status of completion of deliverables
I	Created Detailed Design and Requirement Analysis Document for SW and HW	10,000	100%	15,000	100%
II	Created specs for third party contracts	16,000	100%	14,000	80%
III	Evaluate proposals for Infrastructure development	12,000	75%	8,000	50%
IV	Gap analysis of current business processes	20,000	30%	1,500	10%