

# Project Cost Management: Definitions, Steps, and Tips





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While there are many difficulties on the way toward project completion, cost management is by far the most significant, and many companies need help to do it right.

Cost overruns are extraordinarily common in every single sector of performance, every industry, and every part of the world.

In this guide, we will define project cost management, discuss its role in project planning, and overview its major components to help you see why you must invest in cost management yourself.

## **What Is Project Cost Management?**

Project Planning and the Triple Constraint

## **Main Elements of Project Cost Management**

### **How to Start with Project Cost Management in actiTIME**

- Resource Planning
- Cost Estimation and Budgeting
- Cost Control

## **Conclusion**



# What Is Project Cost Management?

Cost management in projects encompasses the activities aimed at planning, estimation, and monitoring spending across the project's life cycle, starting from its strategic outlining and ending with the assessment of outcomes.

The main objectives of project cost management are to

- calculate how much money is needed to perform tasks and duties involved in the project,
- develop a project budget and allocate funds as per the results of cost estimation,
- track down how much is spent on project-related activities and encourage compliance with the created budget,
- gather statistical data regarding actual project expenses to inform future decision-making.

## Project Planning and the Triple Constraint

Project management aims to attain formulated project goals within a specific timeframe, scope, and budget. The Triple Constraint Model illustrates the three restrictive parameters as interdependent: a change in one inevitably entails changes in two others.

## THE PROJECT MANAGEMENT TRIANGLE



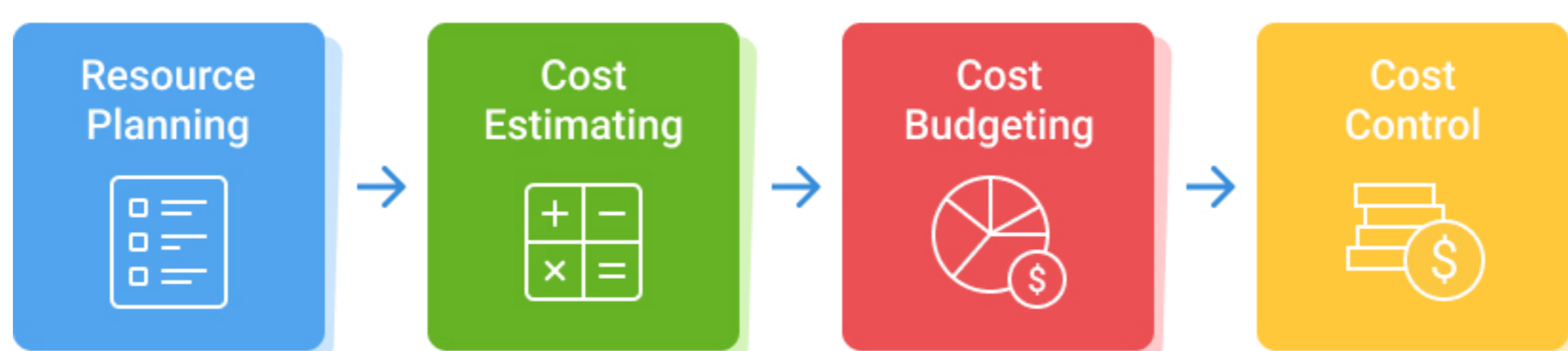
Thus, you must always be aware that a decision to complete the project in a shorter term will entail reducing the volume of project-related tasks or investing more money in skilled personnel and technology.

## Main Elements of Project Cost Management

Effective project cost management comprises four core components:

- **Resource planning.** Before tracking and analyzing costs, you must develop an overview of project specifics, tasks, essential assets, and means.
- **Cost estimation.** To get a project cost estimate, one calculates the necessary funds based on the price of materials and other resources required to complete a project successfully.
- **Budgeting.** Cost estimates are used to develop a budget. Correct forecasts and credible budgets protect against cost overruns and, thus, are the key to the financial sustainability of your project.
- **Cost control.** The primary goals of cost control are to ensure compliance with the designed budgets, prevent excessive spending, and minimize risks of financial loss.

### Cost Management: Four Primary Phases



Let's look at how you can use technology to optimize each step.



# How to Start with Project Cost Management in actiTIME

[actiTIME](#) is a time-tracking tool that allows users to set up billable rates and cost of work rates in their accounts and then keep an accurate record of billable hours and workforce expenses.

It can also play a substantial role in your expense monitoring endeavors and facilitate the performance of other project cost management procedures.

## Resource Planning

When developing your projects in actiTIME, you gain a clearer picture of operations and resources required for their realization. This helps you get a more in-depth insight into how much money is needed to complete the planned work.

- Set up project tasks, modify deadlines, switch work progress statuses, and change other parameters for any activity.
- Assign projects and associated tasks to specific team members or company units,
- Add project and task descriptions to increase your team's awareness of their goals and responsibilities.

<input type="checkbox"/> Task ↓	Status	Spent Time	Estimate	Variance (mh)	Priority (cust...)	Deadline
<b>Total for 6 tasks:</b>	--	<b>883:30</b>	<b>215:00</b>	<b>44:50</b>	--	--
<input type="checkbox"/> Calls	In Progress	340:00	Enter hours	--	Medium	Set up deadli
<input type="checkbox"/> Capacity planning: Q1	Done	27:05	90:00	62:55	High	Mar 31, 2023
<input type="checkbox"/> Capacity planning: Q2	2 <input type="checkbox"/> New	87:30	100:00	12:30	High	Jun 01, 2023
<input type="checkbox"/> Meetings	In Progress	326:20	Enter hours	--	Medium	Set up deadli
<input type="checkbox"/> Sales strategy	Review	55:35	25:00	-30:35	Medium	Jun 07, 2023
<input type="checkbox"/> Strategic roadmap	Planning	47:00	Enter hours	--	Medium	Jun 16, 2023

## Cost Estimation and Budgeting

Accurate budget forecasts and credible budgets protect against cost overruns and, thus, are the key to the financial sustainability of your project. To get a cost estimate, one calculates the required funds based on the price of materials and other resources needed to complete a project successfully.

There are various cost estimation techniques. One of them is an estimation by analogy, which refers to the prediction of costs by comparing the attributes of a new project with historical data on similar projects completed in the past.

1. Set up the cost of work rates for each team member involved in the project.
2. Review the labor costs incurred by your project in the Cost of Work Report.
3. Configure the report to display the sum of expenses associated with specific tasks, users, or projects calculated based on employees' hourly, overtime, and leave time rates.
4. Figure out which attributes and activities of your newly planned endeavor are similar to those of a previous project tracked in actiTIME.
5. Take relevant historical evidence from the Cost of Work Report to make assumptions regarding your possible labor expenses.

Cost Items	Overall Cost (\$)	Alvarez, Daniel	Matthews, John	Meyers, Allison	Moreno, Andrew	Womack, Ashley
<b>Customer- and project-related costs</b> <small>Data grouping: Customers / Projects</small>	19073.33	2236.67	1950.00	6393.33	8493.33	-
<b>Big Bang Company</b>	3627.50	1140.00	157.50	-	2330.00	-
Spaceship building	3627.50	1140.00	157.50	-	2330.00	-
<b>Galaxy Corporation</b>	9052.50	1096.67	1792.50	-	6163.33	-
Android prototyping	9052.50	1096.67	1792.50	-	6163.33	-
<b>Our company</b>	6393.33	-	-	6393.33	-	-
Accounting	6393.33	-	-	6393.33	-	-
<b>Grand Total</b>	<b>19073.33</b>	<b>2236.67</b>	<b>1950.00</b>	<b>6393.33</b>	<b>8493.33</b>	<b>-</b>

## Cost Control

The final component in project cost management is cost control which incorporates practices meant to analyze and track expenses.

- Use Cost of Work and Profit/Loss reports to get a real-time picture of the project's profits and labor costs.
- Leverage real-time widgets to detect adverse trends in spending on your hourly workers and initiate prompt corrective measures.
- Receive alerts whenever the total cost of your project exceeds the budget you set up when configuring the notification or send warning messages to other users when they're approaching a specific time estimation limit.

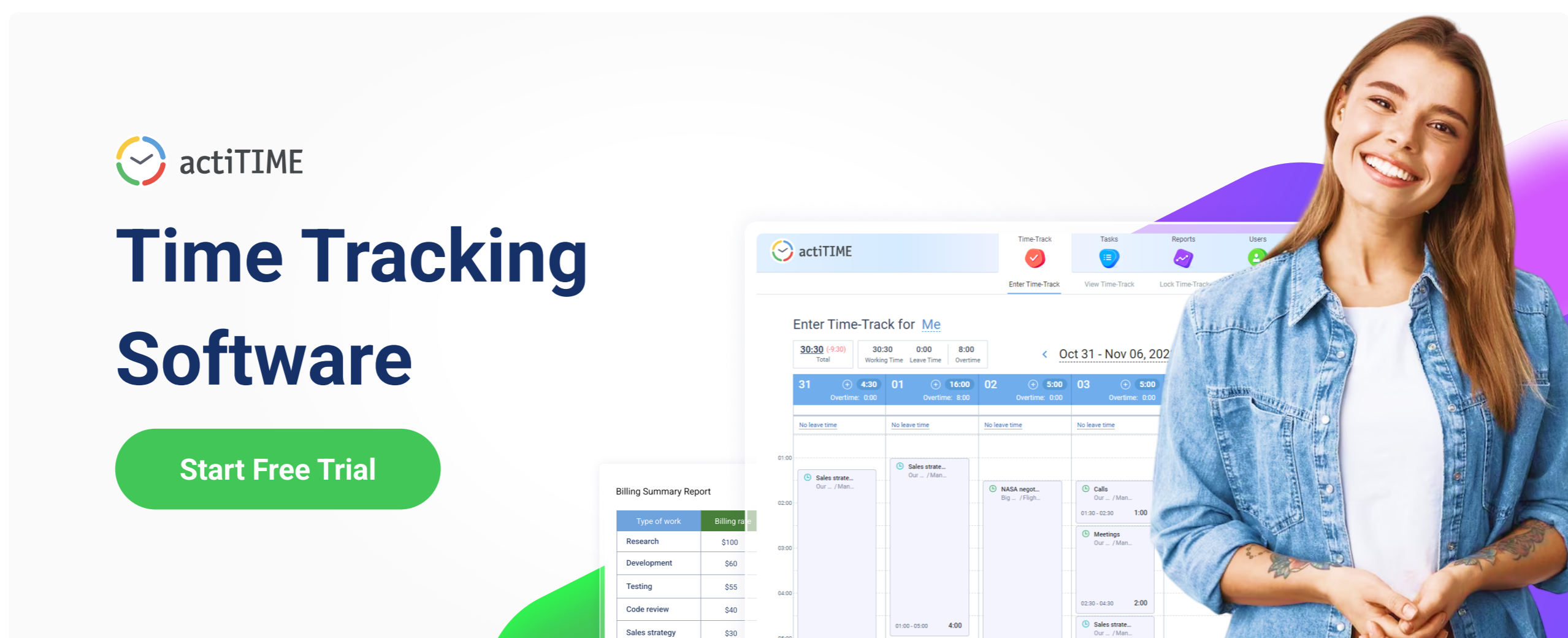
Cost Items	Billable Amount (\$)	Cost of Work (\$)	P/L (\$)
<b>Customer- and project-related costs</b> <small>Data grouping: Customers</small>	85346.25	90161.67	-4815.42
<b>Big Bang Company</b>	55579.58	21649.17	33930.42
<b>Galaxy Corporation</b>	28491.67	14081.67	14410.00
<b>Joda Consulting Inc</b>	1275.00	3174.58	-1899.58
<b>Our company</b>	0.00	51256.25	-51256.25
<b>Grand Total</b>	<b>85346.25</b>	<b>90161.67</b>	<b>-4815.42</b>

# Conclusion

Although cost control is never painless, by approaching it systematically and attentively, you will increase the chance of the project's success to a substantial degree.

Remember the triple constraint when developing the project plan, follow the 4-step cost management process explained in this guide, and adapt it to your business needs and project ideas to gain even better results.

The more experience and expertise in cost management you will get along the way, the easier it will become for you to complete any project within the budget and on time.



actiTIME

## Time Tracking Software

Start Free Trial

actiTIME

Time-Track Tasks Reports Users

Enter Time-Track View Time-Track Lock Time-Track

Enter Time-Track for Me

30:30 Total 30:30 Working Time 0:00 Leave Time 8:00 Overtime

< Oct 31 - Nov 06, 2022

Day	Start	End	Working Time	Leave Time	Overtime
31	4:30	01:00	4:00	0:00	0:00
01	10:00	02:00	3:00	0:00	0:00
02	03:00	03:00	0:00	0:00	0:00
03	5:00	05:00	0:00	0:00	0:00

01:00 No leave time

02:00 No leave time

03:00 No leave time

04:00 No leave time

05:00 No leave time

01:00 Sales strate... Dur. / Man... 1:00

02:00 Sales strate... Dur. / Man... 1:00

03:00 NASA meet... Big. / High... 1:00

04:00 Calls Dur. / Man... 1:00

05:00 Meetings Dur. / Man... 2:00

01:00 Sales strate... Dur. / Man... 1:00

02:00 Sales strate... Dur. / Man... 1:00

03:00 Sales strate... Dur. / Man... 1:00

04:00 Sales strate... Dur. / Man... 1:00

05:00 Sales strate... Dur. / Man... 1:00

01:00-05:00 4:00

Billing Summary Report

Type of work	Billing rate
Research	\$100
Development	\$60
Testing	\$55
Code review	\$40
Sales strategy	\$30