KATHY SCHWALBE

INFORMATION TECHNOLOGY PROJECT MANAGEMENT 8e

9. If the actual cost for a WBS item is $1,500 and its earned value is $2,000, what is its cost variance, and is it under or over budget?
   a. The cost variance is –$500, which is over budget.
   b. The cost variance is –$500, which is under budget.
   c. The cost variance is $500, which is over budget.
   d. The cost variance is $500, which is under budget.
10. If a project is halfway completed, its schedule performance index is 110 percent, and its cost performance index is 95 percent, how is it progressing?
   a. It is ahead of schedule and under budget.
   b. It is ahead of schedule and over budget.
   c. It is behind schedule and under budget.
   d. It is behind schedule and over budget.

Quick Quiz Answers

1. d; 2. b; 3. b; 4. a; 5. c; 6. a; 7. c; 8. d; 9. d; 10. b

Discussion Questions

1. Discuss why many IT professionals may overlook project cost management and how this might affect the ability to complete projects within budget.
2. Explain some of the basic principles of cost management, such as profits, life cycle costs, tangible and intangible costs and benefits, direct and indirect costs, and reserves.
3. What is meant by a sunk cost? Give examples of typical sunk costs for an IT project as well as examples from your personal life. Why is it difficult for people to ignore them when they should?
4. Give examples of when you would prepare rough order of magnitude (ROM), budgetary, and definitive cost estimates for an IT project. Give an example of how you would use each of the following techniques for creating a cost estimate: analogous, parametric, and bottom-up.
5. Explain what happens during the process to determine the project budget.
6. Explain how earned value management (EVM) can be used to control costs and measure project performance, and explain why you think it is not used more often. What are some general rules of thumb for deciding if numbers for cost variance, schedule variance, cost performance index, and schedule performance index are good or bad?
7. What is project portfolio management? Can project managers use it with earned value management?
8. Describe several types of software that project managers can use to support project cost management.

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Eighth Edition

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