PROJECT COST MANAGEMENT

Here is a list of sample questions which would help you to understand the pattern of questions on **Project Cost Management** being asked in PMP Certification Exams.

1 Which type of project cost estimate is the most accurate?

1. Preliminary
2. Definitive
3. Order of magnitude
4. Conceptual

Answer:B

Hint: Definitive estimates are in range -5% to 10% in accuracy. Page 201, PMBOK 5

2 Which of the following type of contracts is most preferable to the contractor doing the project work?

1. Cost plus fixed fee
2. Fixed price
3. Fixed price plus incentive free
4. B and C

Answer: A

Hint: Cost plus fixed fee covers the actual cost

3) To assist in budget control, it is suggested that an estimate be created at the _____ ____ ______ level of the WBS

1. Highest
2. Lowest
3. Major work effort
4. Third

Answer: B

Hint: Work package is the lowest unit of work to estimate cost and duration.

4 Cost Variance *CV* is which of the following equations?

1. CV = EV - PV
2. CV = EV - AC
3. CV = EV / AC
4. A and c

Answer:B

Hint: Cost variance, Page 218, PMBOK 5

5 Determining budget can be best described by which of the following?

1. The process of developing the future trends along with the assessment of probabilities, uncertainties, and inflation that could occur during the project
2. The process of accumulating costs of individual activities to establish a cost baseline.

3. The process of establishing budgets, standards, and a monitoring system by which the investment cost of the project can be measured and managed
4. The process of gathering, accumulating, analyzing, reporting, and managing the costs on an on-going basis

Answer:B

Hint: Page 193, PMBOK 5

6 Which of the following is a direct project cost?

1. Lighting and heating for the corporate office
2. Workers Compensation insurance
3. Piping for an irrigation project
4. A and B

Answer: C

Hint: cost of resources used in a project. See Page 202, PMBOK 5

7 Control Costs can be best described by which of the following?

1. The process of developing the future trends along with the assessment of probabilities, uncertainties, and inflation that could occur during the project
2. The process of assembling and predicting costs of a project over its life cycle
3. The process of assembling and predicting costs of a project over its life cycle
4. The process of monitoring the status of the project to update project costs and managing changes to the cost baseline.

Answer: D

Hint: Control Costs, Page 193, PMBOK 5

8 The PV = $250, theAC =$ 350, and the EV = $200. Calculate the Cost Variance.

1. -$150
2. $150
3. -$50
4. $50

Answer: A

Hint: CV=EV-AC

9 One of the types of cost estimation is Rough Order of Magnitude. This estimate:

1. is performed when detailed information is available
2. is performed after the scope is clearly defined
3. is a near perfect estimate
4. Usually made before the project is designed, and must therefore rely on the cost data of similar projects built in the past.

Answer: D

Hint: Page 201, PMBOK 5

10 The sum of all budgets established for the work to be performed is known as:

1. Planned Value

2. Aggregated Planned Value
3. Budget at Completion
4. Estimate at Completion

Answer: C

Hint: Refer Table 7-1, Page 224, PMBOK 5

11 The processes involving planning, estimating, budgeting, financing, funding, managing, and controlling costs so that the project can be completed within the approved budget fall under

1. Project Cost Management
2. Project Management Process
3. Project Scope Management
4. Project Integration Management

Answer: A

Hint: Read First para, Page 193, PMBOK 5

12 The process that establishes the policies, procedures and documentation for planning, managing, expending, and controlling project costs is known as

1. Control Costs
2. Estimate Costs
3. Plan Cost Management
4. Determine Budget

Answer: C

Hint: Page 193, PMBOK 5

13 The process of monitoring the status of the project to update the project costs and managing changes to the cost baseline is called

1. Determine Budget
2. Control Costs
3. Estimate Costs
4. Plan Cost Management

Answer: B

Hint: Page 193, PMBOK 5

14 The Project Cost Management Process comprises the following activities:

a. Determine Budget

b. Plan Cost Management

c. Estimate Costs

d. Control Costs

What is the correct sequence?

1. a-b-c-d
2. c-a-b-d
3. b-a-c-d

4. a-c-b-d

Answer: C

Hint: See Figure 7-1, Page 194, PMBOK 5

15 The process of developing an approximation of the monetary resources needed to complete project activities is known as

1. Estimate Costs
2. Determine Budget
3. Both A & B
4. None of the above

Answer: A

Hint: Page 193, PMBOK 5

16 Which one of the following is not an input used in the process of Estimate Costs?

1. Scope Baseline
2. Human Resource Management plan
3. Cost Management Plan
4. Project Funding Requirements

Answer: D

Hint: See Figure 7-1, Page 194, PMBOK 5

17 The tools and techniques used in the process of Determine Budget includes all but

1. Cost Aggregation
2. Cost of Quality
3. Expert Judgement
4. Historical Relationships

Answer: B

Hint: See Figure 7-1, Page 194, PMBOK 5

18 Which of the following output of Determine Budget process is not used as an input in the Control Costs Process?

1. Project Funding Requirements
2. Cost Baseline
3. Both A & B
4. None of the above

Answer: B

Hint: See Figure 7-1, Page 194, PMBOK 5

19 Which of the following is not an output of the Control Costs process?

1. Cost Forecasts
2. Change Requests
3. Activity Cost Estimates
4. Work Performance Information

Answer: C

Hint:Hint: See Figure 7-1, Page 194, PMBOK 5

20 The tools and techniques used in Control costs includes all but

1. To-Complete Performance Index $TCPI$
2. Earned Value Management EVM
3. Reserve Analysis
4. Cost Aggregation

Answer: D

Hint: See Figure 7-1, Page 194, PMBOK 5