

5.11: Managing Budget

Projects seldom go according to plan in every detail. It is necessary for the project manager to be able to identify when costs are varying from the budget and manage those variations.

Evaluating the Budget During the Project

A project manager must regularly compare the amount of money spent with the budgeted amount and report this information to managers and stakeholders. It is necessary to establish an understanding of how this progress will be measured and reported.

✓ Reporting Budget Progress on John's Move

In *John's Move* example, he estimated that the move would cost about \$1,500 and take about 16 days. Eight days into the project, John has spent \$300. John tells his friends that the project is going well because he is halfway through the project but has only spent a fifth of his budget. John's friend Carlita points out that his report is not sufficient because he did not compare the amount spent to the budgeted amount for the activities that should be done by the eighth day.

As John's friend pointed out, a budget report must compare the amount spent with the amount that is expected to be spent by that point in the project. Basic measures such as percentage of activities completed, percentage of measurement units completed, and percentage of budget spent are adequate for less complex projects, but more sophisticated techniques are used for projects with higher complexity.

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