

Module 5 - Cost Management

PMP Exam Questions



PMP, PMBOK and the Registered Education Provider logo are registered marks of the Project Management Institute, Inc



Question 1

A company, which provides professional services to the Navy, is in the middle of an important meeting with a government agency procurement manager when a question comes up: Estimate at completion (EAC) is a periodic evaluation of:

- A. The cost of work completed.
- B. The anticipated total cost at project completion.
- C. The value of work performed.
- D. What it will cost to finish the project.

Question 2

A project manager is preparing for a project meeting with upper management when he receives a phone call from a team member asking the following information: If earned value (EV) = 350, actual cost (AC) = 400, and planned value (PV) = 325, what is cost variance (CV)?

- A. -50
- B. 250
- C. -85
- D. 500

Question 3

In a project in which your company is designing a new electronic navigation system. The customer responsible for overseeing your project asks you to provide a written cost estimate that is 25 percent higher than your estimate of the project's cost. He explains that the budgeting process requires managers to estimate pessimistically to ensure enough money is allocated for projects. What is the BEST way to handle this?

- A. Add the 25 percent as a lump sum contingency fund to handle project risks.
- B. Ask for information on risks that would cause your estimate to be too low.
- C. Add the 25 percent to your cost estimate by spreading it evenly across all project activities.
- D. Create one cost baseline for budget allocation and a second one for the actual project management plan.

Question 4

A project manager is working with the customer to determine what is the best way to report progress in the construction of a new amusement park. Cost performance measurement is best done through which of the following?

- A. Asking for a percent complete from each team member and reporting that in the monthly progress report
- B. Using the 50/50 rule and making sure the life cycle cost is less than the project cost
- C. Calculating earned value and using the indexes and other calculations to report past performance and forecast future performance
- D. Focusing on the amount expended last month and what will be expended the following month

Question 5

A PMP-certified project manager is mentoring a new project manager, when their manager stops by and asks the following question: Which of the following is not needed in order to come up with a project estimate?

- A. A WBS
- B. A network diagram
- C. Risks
- D. Change requests

Question 6

A project manager has been summoned by the company VP to address some concerns raised by the customer. During which project management process group are budget forecasts created?

- A. Planning
- B. Forecasting
- C. Executing
- D. Monitoring and controlling

Question 7

In a project that requires an experienced project manager to estimate and manage the work. The company sales manager wants to make sure the proposal for an RPF contains accurate estimates. Which estimating method tends to be most costly for creating a project cost estimate?

- A. Analogous
- B. Parametric
- C. Three point
- D. Bottom-up

Question 8

A project manager has been assigned to work on a consulting project for the government. His manager wants to know: which of the following represents the estimated value of the work actually accomplished?

- A. Planned value (PV)
- B. Expended Value
- C. Cost variance (CV)
- D. Earned value (EV)

Question 9

Your company PMO is introducing a new project management process to improve the accuracy of all the projects in your company. Which of the following are all items included in the cost management plan?

- A. The level of accuracy needed for estimates, rules for measuring cost performance, specifications for how duration estimates should be stated
- B. Rules for measuring team performance, the level of accuracy needed for estimates, specifications for how estimates should be stated
- C. Specifications for how estimates should be stated, the level of risk needed for estimates, rules for measuring cost performance
- D. Specifications for how estimates should be stated, rules for measuring cost performance, the level of accuracy needed for estimates

Question 10

You are the project manager in a company in the Steel industry. Your project has a medium amount of risk and is not very well defined. The sponsor hands you a project charter and asks you to confirm that the project can be completed within the project cost budget. What is the best method to handle this?

- A. Ask the team members to help estimate the cost based on the project charter.
- B. Based on the information you have, calculate a parametric estimate.
- C. Build an estimate in the form of a range of possible results.
- D. Provide an analogous estimate based on past history.

Question 11

Many companies suffer from projects that cost more than their original estimates. Your company needs to identify ways to improve the profit margin by using better estimation processes. The cost contingency reserve should be:

- A. Hidden to prevent management from disallowing the reserve.
- B. Added to each activity to provide the customer with a shorter critical path.
- C. Maintained by management to cover cost overruns.
- D. Added to the costs of the project to account for risks.

Question 12

You have been handed a new project that requires your immediate attention. You are having difficulty estimating the cost of a project. Which of the following best describes the most probable cause of your difficulty?

- A. Unavailability of desired resources
- B. Lack of historical records from previous projects
- C. Inadequate scope definition
- D. Lack of company processes

Question 13

Your sponsor just reminded you that your project's cost cannot be higher than what is stated in the contract. Your cost forecast shows that you will have a cost overrun at the end of the project. Which of the following should you do?

- A. Meet with the sponsor to find out what work can be done sooner.
- B. Eliminate risks in estimates and reestimate.
- C. Cut quality.
- D. Decrease scope.

Question 14

In a company that manufactures industrial supplies, early in the life of your project, you are having a discussion with the sponsor about what estimating techniques should be used. You want a form of expert judgment, but the sponsor argues for analogous estimating. It would be best to:

- A. Suggest life cycle costing as a compromise.
- B. Agree to analogous estimating, as it is a form of expert judgment.
- C. Determine why the sponsor wants such an accurate estimate.
- D. Try to convince the sponsor to allow expert judgment because it is typically more accurate.

Question 15

In a house renovation project being performed by a construction company, you have just completed the initiating processes of a small project and are moving into project planning when a project stakeholder asks you for the project's budget and cost baseline. What should you tell him?

- A. The project budget and baseline will not be finalized and accepted until the planning processes are completed.
- B. The project budget can be found in the project charter, which has just been completed.
- C. The project management plan will not contain the project's budget and baseline; this is a small project
- D. It is impossible to complete an estimate before the project management plan is created.

Question 16

At a construction company that builds new schools for the public school system, a project manager needs to analyze the project costs to find ways to decrease costs. It would be best if the project manager looks at:

- A. Direct costs and variable costs.
- B. Variable costs and fixed costs.
- C. Fixed costs and indirect costs.
- D. Indirect costs and direct costs.

Question 17

At an medium company that specializes in logistics projects, the project manager is allocating overall cost estimates to individual activities to establish a baseline for measuring project performance. What process is this?

- A. Cost management
- B. Estimate Costs and labor rates
- C. Control Cost and schedule
- D. Determine Budget

Question 18

Your company tracks the costs of all the projects under way to insure they all stay at or below the cost submitted when the contracts were approved by the customer. Monitoring cost expended to date in order to detect variances from the plan occurs during:

- A. The creation of the cost change management plan.
- B. Project performance reviews.
- C. Recommending corrective actions.
- D. Updating the cost baseline.

Question 19

At a corporation that employs hundreds of engineers and technicians, a manufacturing project has a schedule performance index (SPI) of 0.92 and a cost performance index (CPI) of 0.85. Generally, what is the best explanation for why this occurred?

- A. A critical path activity took longer and needed more labor hours to complete.
- B. The scope was changed
- C. A supplier went out of business and a new one needed to be found
- D. Additional equipment needed to be purchased.

Question 20

During a project for a government agency responsible for the health care of the nation, the stakeholders thought there was enough money in the budget, halfway through the project the cost performance index (CPI) is 0.80. To determine the root cause, several stakeholders audit the project and discover the project costs budget was estimated analogously. Although the activity estimates add up to the project estimate, the stakeholders think something was missing in how estimate was completed. Which of the following describes what was missing?

- A. Estimated costs should be used to measure CPI.
- B. SPI should be used, not CPI.
- C. Bottom-up estimating should have been used.
- D. Past history was not taken into account.

Question 21

The reason why some companies suffer from poor project performance results is because there is too much emphasis on either the schedule, the cost or the quality at the expense of the other projects constraints. Earned value measurement is an example of:

- A. Planning control.
- B. Ishikawa diagrams.
- C. Integrating the project components into a whole.
- D. Performance reporting.

Question 22

You provide a project time estimate for the project to the project sponsor. He is unhappy with the estimate, because he thinks the schedule should be shorter. He asks you to cut 20 percent off the project schedule. What should you do?

- A. Start the project and constantly look to compress the schedule.
- B. Tell all the team members to cut 20 percent from their estimates.
- C. Inform the sponsor of the activities to be cut.
- D. Add additional resources that can work overtime at no additional expense