

# Homework

[Business](#), [Management](#)



Affiliation Cost estimation is an important aspect of project management and determines whether the project is worth undertaking, whether it will be profitable to the company, and if at all the company can afford it (Pinto 2010). It provides the firm with a cost range (“Ball park estimate”) of the total monetary cost of the project. In terms of project schedule and Work breakdown structure, it leads to budgeting for monetary, human and material resources since the management eventually uses these allocations to coordinate the resources to ensure all three are available when needed. Parametric cost estimation works for cost estimation because it is more accurate as compared to analogous cost estimation (Pinto 2010).

Considering every unit is billed accordingly, a good project manager should have a rough idea of how long the project will take, if the project is billed with time, or how many people will undertake a certain project and how much each is paid, and therefore, depending on how close the estimation is, the accuracy presented by parametric estimation makes it very efficient, unlike analogous cost estimation.

Bottom-up budgeting is very time consuming and takes away control of the top-level management (Pinto 2010). This may eventually lead to straying for the initial project goals. It is however very detailed covering a large chunk of the project details. Ultimately, Top-down budgeting is preferred as it gives control to the top management of the company, thus project goals are more often than not, met. Since it also draws on historical project cost, it takes much less time as compared to Bottom-up budgeting. It however can result in misunderstandings between the top, mid-level and lower-level management as it results in a zero-sum game, since managers would benefit

from the loss of some of their colleagues.

#### Reference

Jeffrey, Pinto. Project Management: Achieving Competitive Advantage.

London: Pearson Education Inc, 2010.