PMP Practice Exam Chapter-7 Project Cost Management

Questions:

1. Cost variance is computed by:
   a. Subtracting planned value from actual cost
   b. Subtracting actual cost from earned value
   c. Subtracting budget at completion from earned value
   d. Subtracting BAC from ETC

2. Which of the following is not needed to generate a schedule performance index (SPI)?
   a. Earned value
   b. Actual cost
   c. Planned value
   d. Basis of estimate

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4. What is a basis of estimate and how does it apply to Earned Value calculations?
   a. The basis of estimate is actually earned value (EV)
   b. The basis of estimate is a method for determining what the project should cost based on historical data or bottom-up estimating. It is the foundation for planned value (PV)
   c. The basis of estimate is created via the use of stochastic variables and advanced mathematical models, which will point to the most effective of the three major estimating tools for your project: analogous, parametric, or bottom-up
   d. The basis of estimate is a separate estimating function that addresses management philosophy. It is not used in earned value calculations

5. You are having a discussion with the key stakeholder about the best estimating method to use for the upcoming project. You argue for what provides the best team buy-in, while your stakeholder argues for a bottom-up estimate. What is the real issue?
   a. There is no issue - you are both talking about the same thing
   b. The stakeholder is correct and you’re just not getting it

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c. You are correct and the stakeholder is just not getting it
d. You are both incorrect and need to explore other options

6. CPI is 1.2, SPI is 1.1. Four months later CPI is .91 and SPI is .86. The most likely reason for this change is:
a. The project manager has not been keeping track of variances on the project to implement
corrections
b. As work packages were being executed, discovery on critical path activities caused estimates
to change drastically on several of the work packages
c. The WBS was inaccurate
d. Several key stakeholders insisted on a last-minute scope change

7. A particular project in the domain of civil construction requires that every on-site worker be insured. Which of the following inputs BEST conveys this requirement to the Cost Estimation process so that the insurance cost is estimated and subsequently budgeted?
a. Enterprise Environmental Factor
b. Organizational Process Assets
c. Project Scope Statement
d. Project Management Plan

8. Management Contingency Reserve is identified in which process:
a. Estimate Activity Duration
b. Estimate Costs
c. Determine Budget
d. Estimate Activity Resources

9. Several stakeholders on the project have been questioning the effectiveness of some of the technical team. While the work is proceeding according to plan, some of the stakeholders are not satisfied with the work delivered to date, even though it meets requirements specifications. You have held several meetings with the stakeholders to try to get to the root cause of the problem. With some of the technical team present at these meetings, it becomes obvious that some of the stakeholders have had great difficulty in describing what they want. As a result, some of the delivered product doesn't meet stakeholder expectations. Currently your CPI is 1.3 and the SPI is .89. What is your largest concern right now?
a. Clarifying the requirements collection process
b. The schedule
c. Managing stakeholder expectations
d. An increasing probability that some technical team members may leave the project due to high levels of frustration with stakeholders
You are three months into a six month project. Assume the budget burn rate is constant. The budget at completion (BAC) is $120,000. AC = $65,000. The SPI = 1.2. What is the CPI of this project? (Round to 2 decimal places)

a. 1.32
b. 1.25
c. 1.11
d. It cannot be determined from the information given

Answers:

1. B  CV = EV - AC
2. B – Actual cost is part of the CPI calculation
3. B
4. B – The basis of estimate is what helps you determine the planned value for the project
5. A – Team buy-in is one of the advantages of a bottom-up estimate
6. B – Significant changes in earned value, such as the one described, usually point to some kind of discovery on the project, especially since the product was sailing along smoothly until it appeared to hit a bump. Answer ‘A’ is highly unlikely as is answer ‘C’. Changing scope at the last minute would also force a change request which may cause a re-baseline of the project. This would not necessarily change its CPI or SPI
7. C - Project Scope Statement usually contains assumptions and constraints.
8. C
9. B – The first part of the question is a red herring. With an SPI of .89 your biggest concern is the schedule
10. C – This is a two-part calculation. You must first derive earned value from the SPI formula; SPI = EV/PV. At this point you know SPI (1.2) and PV ($60,000). Thus solving for EV you get: EV = 1.2 * $60,000 = $72,000. You can now compute CPI = EV/AC or $72,000/$65,000 = 1.11