

Cost Management Job Interview Questions And Answers



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Cost Management Interview Questions And Answers Guide.

Question - 1:

Who has the cost risk in a fixed price (FP) contract?

- A. The team
- B. The buyer
- C. The seller
- D. Management

Ans:

- C. The seller

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Question - 2:

You have been asked to select between three projects. Project A has a net present value of \$54,750 and will take six months to complete. Project B has a net present value of \$85,100 and will take two years to complete. Project C has a net present value of \$15,000 and a benefit-cost ratio of 5:2. Which project should you choose?

- A. Project A
- B. Project B
- C. Project C
- D. There is not enough information to decide.

Ans:

- B. Project B

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Question - 3:

You've been hired by a large consulting firm to evaluate a software project for them. You have access to the CPI and EV for the project, but not the AC. The CPI is .92 and the EV is \$172,500. How much money has actually been spent for the project?

- A. \$158,700
- B. \$172,500
- C. \$187,500
- D. There is not enough information to calculate the actual cost.

Ans:

- C. \$187,500

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Question - 4:

You are managing a project with a schedule performance index (SPI) of 1.07 and a cost performance index (CPI) of .94. How would you BEST describe this project?

- A. The project is ahead of schedule and within its budget.
- B. The project is behind schedule and within its budget.
- C. The project is ahead of schedule and over its budget.
- D. The project is behind schedule and over its budget.

Ans:

- C. The project is ahead of schedule and over its budget.

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Question - 5:

You are project manager for a railroad construction project. Your sponsor has asked you for a forecast for the cost of project completion. Which of the following is the BEST metric to use for forecasting?

- A. EV and AC
- B. SV and CV
- C. ETC and VAC
- D. SPI and CPI

Ans:



C. ETC and VAC

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Question - 6:

You are managing a project with an EV of \$15,000, PV of \$12,000, and AC of \$11,000. How would you BEST describe this project?

- A. The project is ahead of schedule and within its budget.
- B. The project is behind schedule and within its budget.
- C. The project is ahead of schedule and over its budget.
- D. The project is behind schedule and over its budget.

Ans:

- A. The project is ahead of schedule and within its budget.

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Question - 7:

The customer responsible for overseeing your project asks you to provide a written cost estimate that is 30 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 30 percent as a lump sum contingency fund to handle project risks
- B. Add the 30 percent to your cost estimate by spreading it evenly across all project activities
- C. Create one cost baseline for budget allocation and a second one for the actual project management plan
- D. Ask for information on risks that would cause your estimate to be too low

Ans:

- D. Ask for information on risks that would cause your estimate to be too low

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Question - 8:

A manufacturing project has a schedule performance index (SPI) of 0.89 and a cost performance index (CPI) of 0.91. Generally, what is the BEST explanation for why this occurred?

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

Ans:

- D. A critical path activity took longer and needed more labor hours to complete

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Question - 9:

You are managing a project with AC = \$25,100, ETC = \$45,600, VAC = -\$2,600, BAC = \$90,000, and EAC = \$92,100. Your sponsor asks you to forecast how much money you expect to spend on the remainder of the project. Which is the BEST estimate to use for this forecast?

- A. \$45,600
- B. \$87,400
- C. \$90,000
- D. \$92,100

Ans:

- A. \$45,600

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Question - 10:

You are managing a construction project to install new door frames in an office building. You planned on spending \$12,500 on the project, but your costs are higher than expected, and now you're afraid that your project is spending too much money. What number tells you the difference between the amount of money you planned on spending and what you've actually spent so far on the project?

- A. AC
- B. SV
- C. CV
- D. VAC

Ans:

- C. CV

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Question - 11:

You are managing a construction project that is currently being initiated. You met with the sponsors and several important stakeholders, and have started to work on the preliminary scope statement. You've documented several key assumptions that have been made, and identified project constraints and initial risks. Before you can finish the preliminary scope statement, you must make a rough order of magnitude estimate of both time and cost so that the sponsor can allocate the final budget.

What is the range of a rough order of magnitude (ROM) estimate?

- A. -10% to +10%
- B. -50% to +50%
- C. -50% to +100%
- D. -100% to +200%

Ans:



C. -50% to +100%

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Question - 12:

You are managing a project with a total budget of \$450,000. According to the schedule, your team should have completed 45% of the work by now. But at the latest status meeting, the team only reported that 40% of the work has actually been completed. The team has spent \$165,000 so far on the project. How would you best describe this project?

- A. The project is ahead of schedule and within its budget.
- B. The project is behind schedule and within its budget.
- C. The project is ahead of schedule and over its budget.
- D. The project is behind schedule and over its budget.

Ans:

B. The project is behind schedule and within its budget.

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Question - 13:

You are the project manager for a railroad construction project. Your Sponsor has asked you for a forecast for the cost of project completion. The project has a total budget of \$80,000 and CPI of .95. The project has spent \$25,000 of its budget so far. How much more money do you plan to spend on the project?

- A. \$59,210
- B. \$80,000
- C. \$84,210
- D. \$109,210

Ans:

A. \$59,210

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Question - 14:

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

Ans:

C. Direct costs and variable costs

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Question - 15:

Cost risk means:

- A. There are risks that will cost the project money
- B. The project is too risky from a cost aspect
- C. There is a risk that project costs could go higher than planned
- D. There is a risk that the cost of the project will be lower than planned

Ans:

C. There is a risk that project costs could go higher than planned

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Question - 16:

You provide a project cost estimate for the project to the project sponsor. He is unhappy with the estimate, because he thinks the price should be lower. He asks you to cut 15 percent off the project estimate. What should you do?

- A. Start the project and constantly look for cost savings
- B. Tell all the team members to cut 15 percent from their estimates
- C. Inform the sponsor of the activities to be cut
- D. Add additional resources with low hourly rates

Ans:

C. Inform the sponsor of the activities to be cut

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Question - 17:

The difference between the cost baseline and the cost budget can be BEST described as:

- A. The management reserve
- B. The contingency reserve
- C. The project cost estimate
- D. The cost account

Ans:

A. The management reserve

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Question - 18:



You are about to take over a project from another project manager and find out the following information about the project. Activity Z has an early start (ES) of day 15 and a late start (LS) of day 20. Activity Z is a difficult activity. The cost performance index (CPI) is 1.1. The schedule performance index (SPI) is 0.8. There are 11 stakeholders on the project. Based on this information, which of the following would you be the MOST concerned about?

- A. Schedule
- B. Float
- C. Cost
- D. The number of available resources

Ans:

- A. Schedule

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Question - 19:

Earned value analysis is an example of:

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

Ans:

- A. Performance reporting

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Question - 20:

Although the stakeholders thought there was enough money in the budget, halfway through the project the cost performance index (CPI) is 0.7. To determine the root cause, several stakeholders audit the project and discover the project cost budget was estimated analogously. Although the activity estimates add up to the project estimate, the stakeholders think something was missing in how the 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

Ans:

- C. Bottom-up estimating should have been used

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Question - 21:

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
- C. Determine Budget
- D. Control Costs

Ans:

- C. Determine Budget

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Question - 22:

A cost management plan contains a description of:

- A. The project costs
- B. How resources are allocated
- C. The budgets and how they were calculated
- D. The WBS level at which earned value will be calculated

Ans:

- D. The WBS level at which earned value will be calculated

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Question - 23:

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. Recommending corrective actions
- C. Updating the cost baseline
- D. Product performance reviews

Ans:

- D. Product performance reviews

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Question - 24:

You have just completed the initiating processes of a small project and are moving into the planning processes when a project stakeholder asks you for the projects budget and cost baseline. What should you tell her?

- A. The project budget can be found in the project's charter, which has just been completed
- B. The project budget and baseline will not be finalized and accepted until the planning processes are 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

Ans:

B. The project budget and baseline will not be finalized and accepted until the planning processes are completed

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Question - 25:

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. Agree to analogous estimating, as it is a form of expert judgment
- B. Suggest life cycle costing as a compromise
- 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

Ans:

A. Agree to analogous estimating, as it is a form of expert judgment

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Question - 26:

A new store development project requires the purchase of various equipment, machinery, and furniture. The department responsible for the development recently centralized its external purchasing process and standardized its new order system. In which document can these new procedures be found?

- A. Project scope statement
- B. WBS
- C. Staffing management plan
- D. Organizational policies

Ans:

D. Organizational policies

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Question - 27:

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

Ans:

A. Eliminate risks in estimates and reestimate

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Question - 28:

The seller tells you that your activities have resulted in an increase in their costs. You should:

- A. Recommend a change to the project costs
- B. Have a meeting with management to find out what to do
- C. Ask the seller for supporting information
- D. Deny any wrongdoing

Ans:

C. Ask the seller for supporting information

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Question - 29:

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 base costs of the project to account for risks

Ans:

D. Added to the base costs of the project to account for risks

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Question - 30:

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

Ans:

A. Build the estimate in the form of a range of possible results

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**Question - 31:**

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

Ans:

- B. Specifications for how estimates should be stated, rules for measuring cost performance, the level of accuracy needed for estimates

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Question - 32:

Which of the following represents the estimated value of the work actually accomplished?

- A. Earned value (EV)
- B. Planned value (PV)
- C. Actual cost (AC)
- D. Cost variance (CV)

Ans:

- A. Earned value (EV)

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Question - 33:

Which type of cost is team training?

- A. Direct
- B. NPV
- C. Indirect
- D. Fixed

Ans:

- A. Direct

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Question - 34:

Value analysis is performed to get:

- A. More value from the cost analysis
- B. Management to buy into the project
- C. The team to buy into the project
- D. A less costly way of doing the same work

Ans:

- D. A less costly way of doing the same work

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Question - 35:

Project setup costs are an example of:

- A. Variable costs
- B. Fixed costs
- C. Overhead costs
- D. Opportunity costs

Ans:

- B. Fixed costs

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Question - 36:

During which project management process group are budget forecasts created?

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

Ans:

- A. Monitoring and controlling

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Question - 37:

A cost baseline is an output of which cost management process?

- A. Estimate Activity Resources
- B. Estimate Costs
- C. Determine Budget
- D. Control Costs

Ans:



C. Determine Budget

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Question - 38:

A rough order of magnitude estimate is made during which project management process group?

- A. Planning
- B. Closing
- C. Executing
- D. Initiating

Ans:

D. Initiating

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Question - 39:

Which of the following is an example of a parametric estimate?

- A. Dollars per module
- B. Learning bend
- C. Bottom-up
- D. CPM

Ans:

A. Dollars per module

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Question - 40:

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. A change control system

Ans:

D. A change control system

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Question - 41:

A schedule performance index (SPI) of 0.76 means:

- A. You are over budget
- B. You are ahead of schedule
- C. You are only progressing at 76 percent of the rate originally planned
- D. You are only progressing at 24 percent of the rate originally planned

Ans:

C. You are only progressing at 76 percent of the rate originally planned

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Question - 42:

A cost performance index (CPI) of 0.89 means:

- A. At this time, we expect the total project to cost 89 percent more than planned
- B. When the project is completed we will have spent 89 percent more than planned
- C. The project is only progressing at 89 percent of the rate planned
- D. The project is only getting 89 cents out of every dollar invested

Ans:

D. The project is only getting 89 cents out of every dollar invested

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Question - 43:

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. Calculating earned value and using the indexes and other calculations to report past performance and forecast future performance
- C. Using the 50/50 rule and making sure the life cycle cost is less than the project cost
- D. Focusing on the amount expended last month and what will be expended the following month

Ans:

B. Calculating earned value and using the indexes and other calculations to report past performance and forecast future performance

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Question - 44:

The main focus of life cycle costing is to:

- A. Estimate installation costs
- B. Estimate the cost of operations and maintenance



- C. Consider installation costs when planning the project costs
- D. Consider operations and maintenance costs in making project decisions

Ans:

- D. Consider operations and maintenance costs in making project decisions

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Question - 45:

Estimate at completion (EAC) is a periodic evaluation of:

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

Ans:

- C. The anticipated total cost at project completion

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Question - 46:

One common way to compute estimate at completion (EAC) is to take the budget at completion (BAC) and:

- A. Divide by SPI
- B. Multiply by SPI
- C. Multiply by CPI
- D. Divide by CPI

Ans:

- Divide by CPI

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Question - 47:

If earned value (EV) = 350, actual cost (AC) = 400, planned value (PV) = 325, what is cost variance (CV)?

- A. 350
- B. -75
- C. 400
- D. -50

Ans:

- D. -50

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Question - 48:

All of the following are outputs of the Estimate Costs process EXCEPT:

- A. An understanding of the cost risk in the work that has been estimated
- B. The prevention of inappropriate changes from being included in the cost baseline
- C. An indication of the range of possible costs for the project
- D. Documentation of any assumptions made during the Estimate Costs process

Ans:

- B. The prevention of inappropriate changes from being included in the cost baseline

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Question - 49:

Analogous estimating:

- A. Uses bottom-up estimating techniques
- B. Is used most frequently during the executing processes of the project
- C. Uses top-down estimating techniques
- D. Uses actual detailed historical cost

Ans:

- C. Uses top-down estimating techniques

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