Cost control in construction Projects

Introduction

1-what is cost control in construction projects?

Because Construction Projects are complicated by their nature, companies are very interested not to lose control. Therefore, for time there is a time schedule, for Quality there is QA/QC plan, and for cost there is cost control process.

Accordingly, Cost control process should monitor the Project progress and report any deviation to the budget cost. Budget cost is the cost each item in your project should be completed within it. In other words, the budget cost is the amount of money allocated to each Activity, and we will talk about it in detail later in this course.

The main purpose of cost control is to prevent the problems at the First place, For example if you have 20 story building, and there is a problem in the concrete costs, you should be able to define this problem (which in our case here is the cost overrun, or additional costs spent on concrete activity) From the beginning of the project. In my opinion, you should be able to find and define the cost-over run From the first weeks.

2. Differences between cost control and Accounting?

where the accountant or the accounting department in any construction company can accurately calculate the total costs of the project and the achieved profits, it can only do this after the project completion or in the best cases, after completing a whole division of work such as concrete works. in the other hand, cost control Engineer can calculate the actual costs and profits at any certain stage of the project. Furthermore, cost control can define the Area where the losses happen before it became a disaster.

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3- Cost control can also calculate the company/project cash Flow:

cost control does not start after the protect commencement, it starts even before that. With a proper cost control plan, you can calculate the maximum negative cash flow of the project. This piece of information could save lot of companies from failing in their projects or even might impact the project Decisions.

This figure will tell the company how much money they should have to Execute this project considering the contract conditions of payments and project time schedule. Furthermore, companies all the projects together in one portfolio will create the company overall cash flow to prevent lack of cash which is a very common reason why projects or even companies fail.

4- Cost control is easy or difficult to implement?

To be honest, it depends on you, if you are planning to implement the cost control processes using the hard way or the smart way. 10’s of years ago there was only one way, the hard way, but with today’s technology, the smart way is feasible and can be implemented with easy steps.

5- Cost control conclusion:

The demand of cost control increased a lot in the past few years. Construction companies are welling to pay very well to cost control Engineers who could effectively prevent or Report at the early stage of the project the cost overrun. Accordingly, many IT companies developed software / web based solutions for cost control.

However, these solutions still have some limitations to fit all kinds of projects and/or companies’ budgets. Therefore, this Course will handle all these challenges to teach you how to perform cost control effectively without any expensive software / tools.

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## Cost Control VS EVM

### Cost control
- **Budget costs**: the amount of money that should be spent on the executed works.
- **Actual costs**: the actual costs spent on the project.
- **Cost variance**: the variances between the budget cost and actual costs.

**Cost variance is +ve what does it mean?**
This means the actual costs are less than budget costs which means the project is making more profit.

### Earned Value Management (EVM)
- **Planned Value**: the value of the amount of work planned to be done as per the project time schedule.
- **Earned Value**: the value of the amount of work done as per the project selling price.
- **Cost variance**: the variances between the earned values and planned values.

**Cost variance is +ve what does it mean?**
This means the earned value is more than planned value which means that more progress was done than planned.

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**This means EVM does not = Cost Control.**

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