



## EXERCISE

### COST ESTIMATING AND BUDGETING

#### GENERAL OBJECTIVE

- Apply the main cost estimating and budgeting techniques to a case study.

#### SPECIFIC OBJECTIVES

- Estimate an activity cost.
- Determine what estimation techniques are being used.
- Calculate contingency reserves.
- Calculate management reserves.
- Calculate the cost baseline
- Calculate the project budget.

#### CASE DESCRIPTION

##### The Gaucho Grill Website

#### BACKGROUND

The Gaucho grill is one of the most traditional grills in Montevideo. It is internationally recognized for the quality of its meat cuts, for its tradition, and for the variety of wines that are available. This restaurant serves the best traditional food in Uruguay and because of that it is considered one of the best dining places in the capital.

Since its opening, hundreds of tourists make a mandatory stop at the Gaucho Grill tables and enjoy its great dishes. In recent times, the restaurant has adapted to the newest culture, seeking modernization, by focusing on client services without leaving behind its great gastronomical tradition.

#### PROJECT DESCRIPTION

The new management is focused on offering their clients an added value beyond their delicious dishes. They have identified website development as one of the priority projects in their yearly plan. By means of the website, they look forward to interacting with their clients



and bringing them into the social networks, allowing them to add recommendations for dishes and to share their experiences when they visit the restaurant. Additionally, by using the website, it is expected that the clients will be able to look for discounts and promotions as well as make reservations. The management is looking to know their clients better by developing a database to capture client feedback, including complaints.

### **PROJECT MANAGER**

The general manager (sponsor) has delegated the client service manager to assist with the project management. The PM has hired a consulting firm that specializes in the design and development of websites to execute the project.

### **CURRENT STATUS**

The client service manager is working on the project's detailed budget, which is necessary to be presented to the sponsor for approval.

### **WORK BREAKDOWN STRUCTURE**

The WBS is shown in the attached document, "WBS Gaucho Grill Web Page."

## COST TABLE (WORK PACKAGES)



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Based on the WBS, the following costs for work packages have been identified:

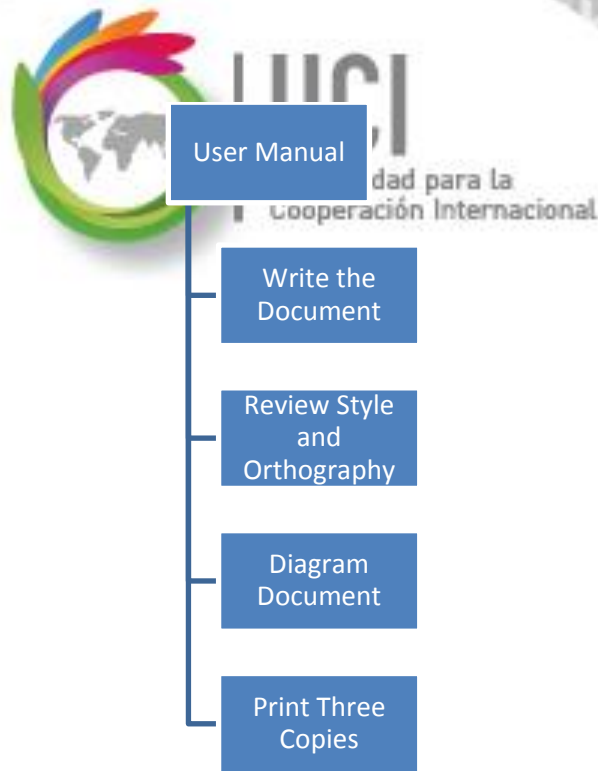
<b>Code</b>	<b>Description</b>	<b>Cost</b>
1.1.1.1	Functional Specifications	\$250.00
1.1.1.2	Technical Specifications	\$250.00
1.1.2.1	Logical Structure	\$400.00
1.1.2.2	Physical Structure	\$400.00
1.1.3.1	Technical Specifications	\$200.00
1.1.3.2	Interface Proposals	\$200.00
1.1.4.1	Functional Specifications	\$300.00
1.1.4.2	Technical Specifications	\$300.00
1.1.4.3	Reports Proposals	\$300.00
1.2.1.1	Design Review	\$300.00
1.2.1.2	Coding	\$2,700.00
1.2.2.1	Design Review	\$500.00
1.2.2.2	Coding	\$3,300.00
1.2.3.1	Design Review	\$300.00
1.2.3.2	Coding	\$2,000.00
1.2.4.1	Design Review	\$300.00
1.2.4.2	Coding	\$2,000.00
1.3.1.1	Specifications Testing	\$200.00
1.3.1.2	Integration Testing	\$400.00
1.3.2.1	Specifications Testing	\$200.00
1.3.2.2	Integration Testing	\$400.00
1.3.3.1	Specifications Testing	\$200.00
1.3.3.2	Integration Testing	\$400.00
1.3.4.1	Specifications Testing	\$200.00

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1.3.4.2	Integration Testing	\$400.00
1.4.1.1	Specifications Testing	\$1,000.00
1.4.1.2	Flow Diagrams	\$1,000.00
1.4.1.3	User Manual	To be defined
1.4.2.1	Methodology	\$400.00
1.4.2.2	Materials	\$1,000.00
1.4.2.3	Help Menu	\$500.00
1.4.3.1	Formers Formation	\$800.00
1.4.3.2	Support Team	\$400.00
1.4.3.3	Potential Users	\$2,000.00
1.4.3.4	Final Users	\$400.00
1.5.1.1	Providers Selection	\$200.00
1.5.1.2	Hardware Buy	\$4,000.00
1.5.2.1	Providers Selection	\$200.00
1.5.2.2	Software and Hosting Buy	\$6,000.00
1.5.3.1	Implementation Plan	\$800.00
1.5.3.2	Recruiting the Work Team	\$400.00
1.5.3.3	Implementation Components	\$200.00
1.5.4.1	Software-Hardware Integration	\$400.00
1.5.4.2	Applications Installation	\$400.00
1.5.4.3	System Transference to End Users	\$1,500.00

\*Costs in Uruguay pesos

As shown in the table, the user manual work package cost estimation is still pending (to be defined). The details of the activities comprised in this work package are as follows:



### **Write the Document Activity**

According to the consulting firm, specialists create the main contents of the documents by documenting the technical specifications and the flow diagrams in the previous work packages. There are templates available for the document development. According to other experiences where they gave counsel to restaurants in Buenos Aires, Argentina consisting of developing websites with similar concepts, they estimate that one person can do this activity in three workdays. The daily cost for that person in Uruguay pesos is about \$120.

### **Review Style and Orthography Activity**

The consulting firm has no prior experiences with philologists in Uruguay. This is the first time that a client has requested that the manual has this type of review. This is a common practice at the restaurant when the menu is updated. Given this situation they request the counsel of the client service director who estimates that a total cost of about \$500 will be enough to hire a person to complete this job.

### **Diagram Document Activity**

The firm consults with a graphic design professional who is in charge of the diagramming of all documents developed in the firm. Usually they charge a fixed amount of \$280 per document.



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### Print Three Copies Activity

The press company used by the consulting firm charges \$5 per page. Each document has 124 pages, and three copies are required.

### INSTRUCTIONS

Based on the information presented, do the following:

1. Calculate the user manual work package cost based on the calculation of the cost for each one of the activities.
2. Identify the technique used to calculate the cost for each activity in the user manual work package.
3. Calculate a contingency reserve equal to 10% of the estimated cost of the deliverables (design, development, and implementation). For quality assurance and training, estimate 3% of the estimate as the contingency reserve.
4. Calculate the management reserve as 5% of the total cost estimate for the project.
5. Calculate the cost baseline (only the total amount, not the distribution over time since there is no schedule in the project information).
6. Calculate the total project budget.
7. Fill in the following chart with the corresponding costs.

Website Design Project	
Design	
Development	
Quality Assurance	
Training	
Implementation	
Management Reserve	
Cost Baseline	
Total Project Budget	

### RULES AND CONSIDERATIONS

- The document must be presented in a .doc format. If needed, in order to support the calculations, you can submit additional files such as MSExcel. These files should be sent as a compressed file type (.zip or .rar). The file must be uploaded to the virtual campus in the specific location established for this purpose.
- The document must be a maximum of 12 pages in length.



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- Questions related to this deliverable should be channeled through the Inquiries forum.