

ACCT 301: Cost Planning

Archiverr Resource Center

Accounting Practice Essay

Advantages and disadvantages of Elemental Cost Planning

The estimate can then be compared with subsequent estimates or actual costs as the project moves forward using an elemental cost plan since the calculation is first broken down into several pieces. The Building Cost Information Service (BCIS) creates the element breakdown that is the most popularly used and extensively used for construction projects. It is common practice to consider each component a separate cost center; nevertheless, moving money from one element to another is permissible so long as a suitable equilibrium is maintained between components and the overall budgetary goal is not surpassed. The first cost plan will most likely be based on approximations of actual costs; they may serve as a good foundation for evaluating the accuracy of subsequent estimates.

The project manager maintains control by comparing cost projections for each cost center to the budgetary allocations they represent. Any cost deviation from the cost plan is uncovered as the design progresses and expenditures are tallied. After that, decisions are made on whether or not the cost of that