

Project Costing

1 **Estimating** the resources required to perform the project

? Which **costs** (and incomes) to take into account?



Only **chargeable costs** shall be considered !



Cash flows that are **distorted** (i.e. suppressed or modified)



Cash flows that are **generated** by the project

$$\begin{array}{r} \text{Cash flows} \\ \text{of the project} \end{array} = \begin{array}{r} \text{Cash flows} \\ \text{of the organisation} \\ \text{with the project} \end{array} - \begin{array}{r} \text{Cash flows} \\ \text{of the organisation} \\ \text{without the project} \end{array}$$



Past or irrecoverable costs: no! ← These costs will exist whatever the decision



Renunciation costs: yes! ← E.g. the consequence of stopping a project that is already on-going



Unquantifiable costs: no! ← **Benefits** sometimes replace incomes