

Week 8- Budgeting

Student's name

Institution affiliation

Course code

Date

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Budgeting-Library Restoration project

Parametric Estimate

Activity	instances	Unit cost	Cost
Planning and preparation	NA	500\$	500\$
Hiring employees	10	30	300\$
Risk management	NA	5000\$	5000\$
Salaries Hired employees	10	800\$	8000\$
Project manager	1	4000\$	4000\$
Technical team	3	2000\$	6000\$
Support staff	5	2000\$	10000\$
Roof and walls restoration	N/A	30000\$	30000\$
Restoration of the restrooms	5	4000\$	20000\$
Painting	N/A	5000\$	5000\$
Installation of shelves	100	300\$	30000\$
Floor repair	400 Square meter	30\$	12000\$
Furniture acquisition Desks	50	150	7500\$
Chairs	400	20	8000\$
Books purchasing	3000	10	300000\$
Installation of computers	50	150	7500\$
Help desk installation	2	50	100\$
Support and handling equipment acquisition	N/A	200	200\$
Surplus	N/A	3900\$	3900\$
Total			458000\$

Bottom up Estimate

Activity	Cost
Planning and preparation	500\$
Hiring employees	500\$
Risk management	5000\$
Salaries	28000\$
Roof and walls restoration	30000\$
Restoration of the restrooms	20000\$
Painting	5000\$
Installation of shelves	30000\$
Floor repair	12100\$
Furniture acquisition	15000
Books purchasing	300000\$
Installation of computers	8000\$
Help desk installation	100\$
Support and handling equipment acquisition	200\$
Surplus	3600\$
Total	458000\$

Parametric and Bottom up Estimates

Having identified both the bottom up and the parametric estimate for the library restoration project, this part will examine the differences between these two estimating type and come up with a clear explanation based on which method is accurate. To begin with, parametric method involves the use of modelling methods that are statistically based to come up with the cost of a project while the bottom up estimate method involves the determination of the cost of each segment of a department and then adding up each department to come up with the total costs (Shim & Siegel, 2005).

Under the parametric estimate, the total cost is determined after coming up with the cost of individual units. For instance, in construction, the cost per square meter is first determined and the overall costs determined thereafter. The overall cost of all the individual units that are involved in the entire project usually makes up the cost of the entire project (Galorath, 2019). Under the bottom up estimate, the individuals at all the departments are called upon to provide the cost estimate for various activities under the department. The overall costs for all the department is then determined by adding up the individual costs. The other difference is parametric estimate may be based on data collected in the past such as data collected by experts or industry forecasting data. However, in bottom up budgeting, the estimates are collected periodically by the members of the staff at each department.

In as much as the Library restoration project is concerned, the parametric method of estimation is more accurate than the bottom up estimation method. One reason is that under the parametric method, the individual costs of various components such as salaries and various things that are bought are determined which generates results that are accurate. Determining and illustrating the individual costs that are involved is good since it ensures clarity of the data that is generated. With this kind of estimate becomes very to implement the budget since one can clearly identify the baseline costs of each activity or acquisition.

References

Galorath. (2019, March 11). Parametric Cost Estimating. Retrieved from

<https://galorath.com/parametric-cost-estimating/>

Shim, J. K., & Siegel, J. G. (2005). *Budgeting Basics and Beyond*. Hoboken, NJ: John Wiley & Sons.

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