

# **PROJECT MANAGEMENT DOCS**

*Free Project Management Templates*

## **BASIS OF ESTIMATE TEMPLATE**

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## **BASIS OF ESTIMATE**

**COMPANY NAME**  
**STREET ADDRESS**  
**CITY, STATE ZIP CODE**

**DATE**

Cost estimates are an essential part of planning any project. In general, the more detail that is included and the better planned the project is the better cost risks can be identified and mitigated. The purpose of the Basis of Estimate is to document and communicate how the project's cost estimate was derived and provide supporting data to establish estimate ranges and confidence levels. The Basis of Estimate should also include all known assumptions and constraints which pertain to the project's cost.

The Basis of Estimate provides a large amount of information which may include a high level of detail. As such, it should be organized in a manner that is consistent throughout the document and is easy to read and understand. It must also clearly communicate what is included in the project scope. Many times the Basis of Estimate is organized by WBS items with each line item defined by the WBS Dictionary's description of the work. WBS items may be listed in a hierarchical manner with higher levels capturing overall costs and component and work package levels below capturing lower level costs. This approach ensures that the cost figures are presented with the scope of the work to be performed in order to provide a solid understanding of what is involved.

Each line item should include the information contained in the Activity Cost Estimate for the project. However, the Basis of Estimate should include more detail in order to understand exactly how costs were derived. Basis of Estimate line items should explain exactly how the estimate was calculated and what methodology was used. This may include information obtained from vendor quotes, previous experience with similar projects, projected per unit pricing, known wage/salary rates, or any other known pricing sources.

Like most other project documents, the Basis of Estimate should be continually reviewed and edited based on the project team receiving additional information or more detail. During the initial creating of the document it is likely that the project team will not have all of the required detail for estimating cost for every WBS line item. As project planning progresses and the project team begins to receive more information, the Basis of Estimate should be revised and the confidence level should increase.

The following table illustrates one example of a format which can be used for the Project Basis of Estimate document:

**Basis of Estimate Template:**

Basis of Estimate								
<b>Project:</b>						<b>Date:</b>		
<b>WBS Element:</b>								
Category	Material	Labor	Indirect Costs	Base Cost	Reserve	Total Cost	Funding Source	Cost Methodology
This should describe what phase of the project the line item belongs to.	This is the cost of material for this line item.	This is the labor cost associated with this line item.	This is any indirect cost that falls under this line item.	This is the total of the material, labor and indirect costs.	This column includes any reserve cost designated for the line item.	This is the sum of all costs for the line item.	This should describe the source of funding for this portion of the project.	This should describe what method was used to derive the cost estimate.
<b>WBS Description:</b> This section should include the text from the WBS Dictionary for this WBS item. This ensures that the scope of the line item is captured and related to the cost estimate.								
<b>Cost Description:</b> This section should describe the specific details of how costs were calculated. If costs were derived from vendor quotes, wage rates or other means this is where the details should be described.								

You can see the level of detail this format allows the project team to provide. The columns list the costs, funding source(s), and methodology for the WBS item. The text fields below allow the project team to communicate the scope of the WBS item based on the WBS Dictionary description as well as to describe in detail how the various costs were estimated.

The following table shows an example of the Basis of Estimate using a notional Sprocket Design project. This example shows what one WBS path might look like using WBS 1.1 and its derivatives:

**Example with Sample Data:**

Basis of Estimate								
<b>Project:</b> Pro Sprocket Design						<b>Date:</b> 01/01/20xx		
<b>WBS Element:</b> 1 Project Planning								
Category	Material	Labor	Indirect Costs	Base Cost	Reserve	Total Cost	Funding Source	Cost Methodology
Planning	\$1,350.00	\$2,560.00	\$0.00	\$2,560.00	\$256.00	\$4,166.00	New Product Dev.	Parametric
<b>WBS Description:</b> Complete the planning of new Pro Sprocket project in preparation for product design.								
<b>Cost Description:</b> Labor is all inclusive of WBS element 1. Includes 80 man hours of work performed at \$32.00 per hour. Management reserve of 10% has been identified based on a confidence level of 90%. Pricing was derived from existing hourly rates for one PMO employee and two Design Technology Group employees. Additionally, an update to CAD Suite software is required and this material cost was obtained by a direct vendor quote.								
<b>WBS Element:</b> 1.1 Gather Requirements								
Category	Material	Labor	Indirect Costs	Base Cost	Reserve	Total Cost	Funding Source	Cost Methodology
Planning	\$1,350.00	\$1,920.00	\$0.00	\$1,920.00	\$192.00	\$3,462.00	New Product Dev.	Parametric
<b>WBS Description:</b> Gather requirements for new Pro Sprocket product.								
<b>Cost Description:</b> Labor is all inclusive of WBS element 1.1. Includes 60 man hours of work performed at \$32.00 per hour. Management reserve of 10% has been identified based on a confidence level of 90%. Pricing was derived from existing hourly rates for one PMO employee and two Design Technology Group employees. Material cost for update to CAD software Suite is included under WBS item 1.1.2.								

<b>WBS Element:</b> 1.1.1 Conduct Interviews								
Category	Material	Labor	Indirect Costs	Base Cost	Reserve	Total Cost	Funding Source	Cost Methodology
Planning	\$0.00	\$640.00	\$0.00	\$640.00	\$64.00	\$704.00	New Product Dev.	Parametric
<b>WBS Description:</b> Conduct interviews with identified subject matter experts to determine requirements for Pro Sprocket product.								
<b>Cost Description:</b> Labor is all inclusive of WBS element 1.1.1. Includes 20 man hours of work performed at \$32.00 per hour. Management reserve of 10% has been identified based on a confidence level of 90%. Pricing was derived from existing hourly rates for one PMO employee and two Design Technology Group employees.								
<b>WBS Element:</b> 1.1.2 Conduct Technical Requirement Review								
Category	Material	Labor	Indirect Costs	Base Cost	Reserve	Total Cost	Funding Source	Cost Methodology
Planning	\$1,350.00	\$1,280.00	\$0.00	\$1,280.00	\$128.00	\$2,758.00	New Product Dev.	Parametric
<b>WBS Description:</b> Conduct final technical requirements review for Pro Sprocket product.								
<b>Cost Description:</b> Labor is all inclusive of WBS element 1.1.2. Includes 40 man hours of work performed at \$32.00 per hour. Management reserve of 10% has been identified based on a confidence level of 90%. Pricing was derived from existing hourly rates for one PMO employee and two Design Technology Group employees. Also includes material costs associated with updates to CAD design suite. Material costs were obtained from direct vendor quote.								
<b>WBS Element:</b> 1.2 Project Documentation								
Category	Material	Labor	Indirect Costs	Base Cost	Reserve	Total Cost	Funding Source	Cost Methodology
Planning	\$0.00	\$640.00	\$0.00	\$640.00	\$64.00	\$704.00	New Product Dev.	Parametric
<b>WBS Description:</b> Complete project planning documentation for Pro Sprocket Project.								

<p><b>Cost Description:</b> Labor is all inclusive of WBS element 1.2. Includes 20 man hours of work performed at \$32.00 per hour. Management reserve of 10% has been identified based on a confidence level of 90%. Pricing was derived from existing hourly rates for one PMO employee and two Design Technology Group employees.</p>
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You can see how WBS Element 1 is followed by its lower level component or work package items in the table above. All of the component line item costs should add up to the total of the next higher level. For instance, WBS Elements 1.1.1 and 1.1.2 total costs add up to the WBS Element 1.1 total cost. WBS Elements 1.1 and 1.2 add up to Element 1 total cost. This hierarchical structure is easy to follow since it is consistent with the WBS structure and allows for an organized approach to cost estimating.

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