
Terms Used Within Earned Value Methods

The terms given below are those that are commonly used in the discussion and use of earned value methods within the general field of project management. Many were first coined in the context of US government contracting practice and their original definitions reflected that fact. However, some of the terms are now widely used in other non-US contexts in which their original definitions are not so appropriate; the definitions below are for general interpretation, explanation and guidance rather than the original definitions.

Actual Cost of Work Performed (ACWP) – The total actual expenditure for any activity, purchase, project or part of a project at a point in time, the Actual Cost (AC).

ANSI/EIA-748-1998 – A US commercial standard for guidelines for implementing Earned Value Management Systems on projects; it is now applied to US government contracts as well as commercial enterprises.

Apportioned effort (AE) – A method of distributing earned value to activities whose progress is governed by another activity, by taking a value that is directly proportional to the value earned on the related activity.

Authorization To Proceed (ATP) – A formal instruction to start work on a task.

Authorized work – The work for which authority to proceed has been given; in an earned value situation this implies that a budget has been approved for it and it is contained within the project plan.

Authorized, Unpriced Work (AUW) – The authorized work for which no definite budget has been set. This is typically due to negotiations not being completed on contract changes.

Baseline plan – An agreed plan against which all changes will be recorded and all progress and costs will be measured.

Budget – An amount of money authorized or agreed to cover a defined amount of work or purchases.

Budget at Completion (BAC) – The sum of all planned project costs plus any contingency for management reserve.

Budgeted Cost for Work Performed (BCWP) – The total planned cost associated with the completed work or acquired purchase on any activity, purchase, project or part of a project at a point in time: the Earned Value (EV).

Budgeted Cost for Work Scheduled (BCWS) – The total planned cost for any activity, purchase, project or part of a project scheduled to be achieved by a given point in time: the Planned Value (PV).

C-Spec – Abbreviation for the US government's C/SCSC project control procedure. Now an outdated term.

Comprehensive Estimated Cost at Completion (CEAC) – An all-embracing estimate of costs at completion, often associated with a complete revision of the baseline programme.

Contingency (cost) – A sum of money set aside or provided to cover unforeseen expenditure.

Contingency (time) – An amount of time contained within a project plan to allow for a schedule overrun.

Contract Budget Base (CBB) – In a contracted situation: the estimate of the overall contract budget made up of the contract target cost plus an estimate of the authorized, but unpriced, work.

Contract price – In a contracted situation: the price payable by the customer under the terms of the contract for the properly delivered goods and services contained within the contract scope.

Contract Target Cost (CTC) – In a contracted situation: the sum of the authorized and priced work but excluding the estimated cost of any authorized, unpriced changes.

Contract Target Price (CTP) – In a contracted situation: the negotiated estimated cost (CTC) plus profit or fee.

Contract Work Breakdown Structure (CWBS) – The work breakdown structure as contractually agreed between the parties (often product based).

Contractor – One who performs work on behalf of another on the basis of a legally binding agreement.

Control account (formerly Cost account) – A budget account associated with a work breakdown structure element, at which lower-level tasks are gathered for the purposes of managerial control and specifically assigned to one element within the organization structure.

Control account manager – One who is responsible for the costs and progress associated with a control account.

Cost Performance Index (CPI) – The rate at which value is earned for the actual costs incurred, it equates to the BCWP divided by the ACWP. Also called the cost efficiency.

Cost Performance Report (CPR) – A US DoD defined report format for reporting cost and schedule progress data for contracts that require EVMS compliance.

Cost-plus-fee contract, Cost-plus contract – A contractual arrangement in which the contractor is reimbursed for his actual incurred costs plus an additional fee for profit. Also called a 'Cost reimbursable' contract.

Cost/Schedule Status Report (C/SSR) – A US DoD-defined report format for reporting cost and schedule progress data for contracts that do not meet the threshold for EVMS compliance (a simpler report than the CPR).

Cost Variance (CV) – In the context of earned value reporting: the arithmetic difference between the earned value (BCWP) and the actual cost (ACWP) on any activity, purchase, project or part of a project at a point in time.

Not in the context of earned value reporting: the arithmetic difference between the planned cost (BCWS) and the actual cost (ACWP) on any activity, purchase, project or part of a project at a point in time.

C/SCSC – Acronym for Cost/Schedule Control Systems Criteria, a US Department of Defense procedure for project management incorporating earned value methods, used for assessing and ensuring contractor compliance with a set methodology. Also known as C-Spec, no longer in use.

DODI 7000.2 – A US Department of Defense Instruction (1967) for project management on major acquisition projects incorporating the Cost/Schedule Control Systems Criteria, superseded by DoD 5000. 2R.

DOD 5000.2R – A US Department of Defense Instruction (1996), containing in Part II Section B the earned value management systems guidelines.

Earned Value – The value attached to that which has been achieved on any activity, purchase, part of a project or project in terms of what was planned or expected at the start. Also known as the Budgeted Cost for Work Performed (BCWP).

Earned Value Management Systems (EVMS) – Project management procedure using earned value principles and implied in US standard ANSI/EIA-748-1998.

Estimate At Completion (EAC) – The sum of all actual costs at a point in time plus all estimated remaining costs to complete a project or part of a project. Also referred to as the Estimated cost at completion.

Estimated cost at completion – Another term for the Estimate At Completion (EAC).

Estimated Time to Completion (ETTC) – An estimate, at a point in time, of the likely overall duration of a project or part of a project.

Estimate to Completion (ETC) – An estimate, at a point in time, of the costs still to be incurred to complete the project or part of a project.

Fixed price contract – A contractual arrangement where a contractor is paid a fixed sum for a defined piece of work irrespective of his actual expenditure.

Incentive contract – A contractual arrangement where the contractor is rewarded with an increased fee if performance above an agreed level is achieved.

Integrated Baseline Review (IBR) – A formal process in which both the sponsor and the contractor examine a baseline plan to establish its completeness, realism and practicality.

Latest Revised Estimate (LRE) – The most recent estimate of the final cost of a project, or part of a project, based on known work. Note, this term is sometimes used interchangeably with the Estimate At Completion (EAC).

Level of Effort (LOE) – A method of costing work which is time dependent rather than associated with any definitive output, for example, support services such as project management or maintaining the project accounts. Value is accrued according to the elapsed time and resources employed rather than observed progress.

Liquidated damages agreement – A contractual arrangement that provides for a final, non-negotiable settlement for a loss due to some aspect, other than cost, of non-performance of a contract; it is often applied to lateness in delivery or product performance below that stipulated in the agreed specification.

Management Reserve (MR) – A financial contingency under the direct control of senior management outside the performance measurement baseline.

Original Budget (OB) – The original amount of money provisioned for an activity, purchase, project or part of a project.

Original Duration (OD) – The original planned time over which an activity, project or part of a project should take place.

Organization Structure, Organization Breakdown Structure (OBS) – The logical and hierarchical arrangement of both function and authority of a company engaged on a project.

Over Target Baseline (OTB) – A baseline programme resulting from formal reprogramming, where additional funds over the value of the contract are incorporated into the baseline plan.

Performance Measurement Baseline (PMB) – An agreed programme of work against which progress will be measured which includes all known and planned work; it includes all costs within the Budget at Completion less management reserve.

Prime contractor – A contracting organization with overall responsibility for delivering a project; normally this will involve coordination and control of a group of lower-level contractors.

Project manager – One who is charged with the overall direction of a unique undertaking. This term is sometimes synonymous with program manager or programme manager.

Responsibility Assignment Matrix (RAM) – A matrix showing how control accounts for tasks in the work breakdown structure are assigned to functions within the organization.

Schedule Performance Index (SPI) – The rate of progress against the original schedule with respect to elapsed time (by reference to the earned value). It equates to the BCWP divided by the BCWS at a point in time. Also called schedule efficiency.

Schedule Variance (SV) – The arithmetic difference between the earned value (BCWP) and the planned cost (BCWS) on any activity, purchase, project or part of a project at a point in time.

Sponsor – One who finances a project; he or she may also have a controlling interest.

Statement of Work, Scope of Work (SOW) – A definition of a product, group of products, tasks or services to be procured under a contract; by definition it limits what is to be supplied to that which is contained in the statement.

To-Complete Performance Index for budget (TCPI(BAC)) – At a point in time: the rate of generation of earned value required to complete the project within the budget at completion.

To-Complete Performance Index for schedule (TCPI(OD)) – At a point in time: the rate of schedule progress required to complete the project within the planned overall duration.

Undistributed Budget (UB) – A holding account used to temporarily contain the budget for recently negotiated contract charges until detailed planning can be accomplished.

Variance at Completion (VAC) – An estimate of the likely difference between the planned cost and the actual cost of the project or part of a project when complete. The arithmetic difference between the BAC and the EAC.

Work Breakdown Structure (WBS) – A logical, hierarchical arrangement of the work elements within a project.

Work package – An identifiable, discrete and defined block of work.

Work package manager – One who is responsible for the conduct of the work contained in a work package.