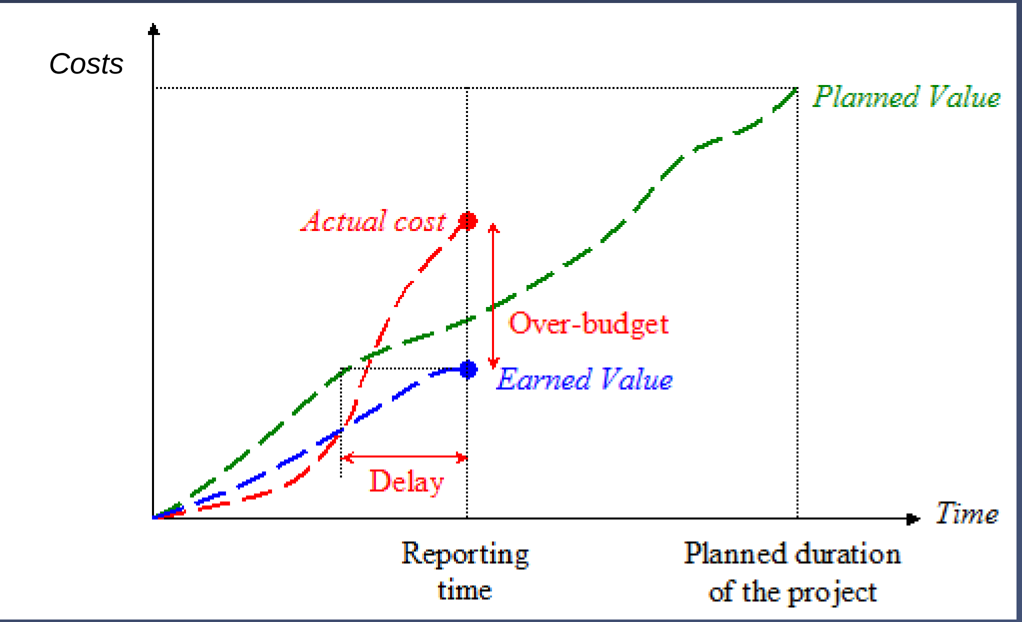
Earned Value Analysis (EVA)



Earned Value Analysis (EVA) is a method by which a statement can be made on the basis of three financial numbers by extrapolating over time whether you are on track in terms of project costs and project timing.

V1.0

Source: Kuster, 2015

Definitions used in EVA

BCWS “Budgeted Cost of Work Scheduled” *(also **PV** “Planned Value”)*

The basis for monitoring is the planned amount of work on a given date. The amount of work is expressed in budgets (as a breakdown of the total budget). The BCWS gives the budgeted value of the **planned** work.

ACWP “Actual Cost of Work Performed” *(also **AV** “Actual Value”)*

ACWP reflects the actual costs that have been spent. This represents the **actual** value of the work performed.

BCWP “Budgeted Cost of Work Performed” *(also **EV** “Earned Value”)*

BCWP reflects the cost that was planned for the work completed. This represents the **original** budgeted value of the work done.

SV “Schedule Variance (BCWP-BCWS)”

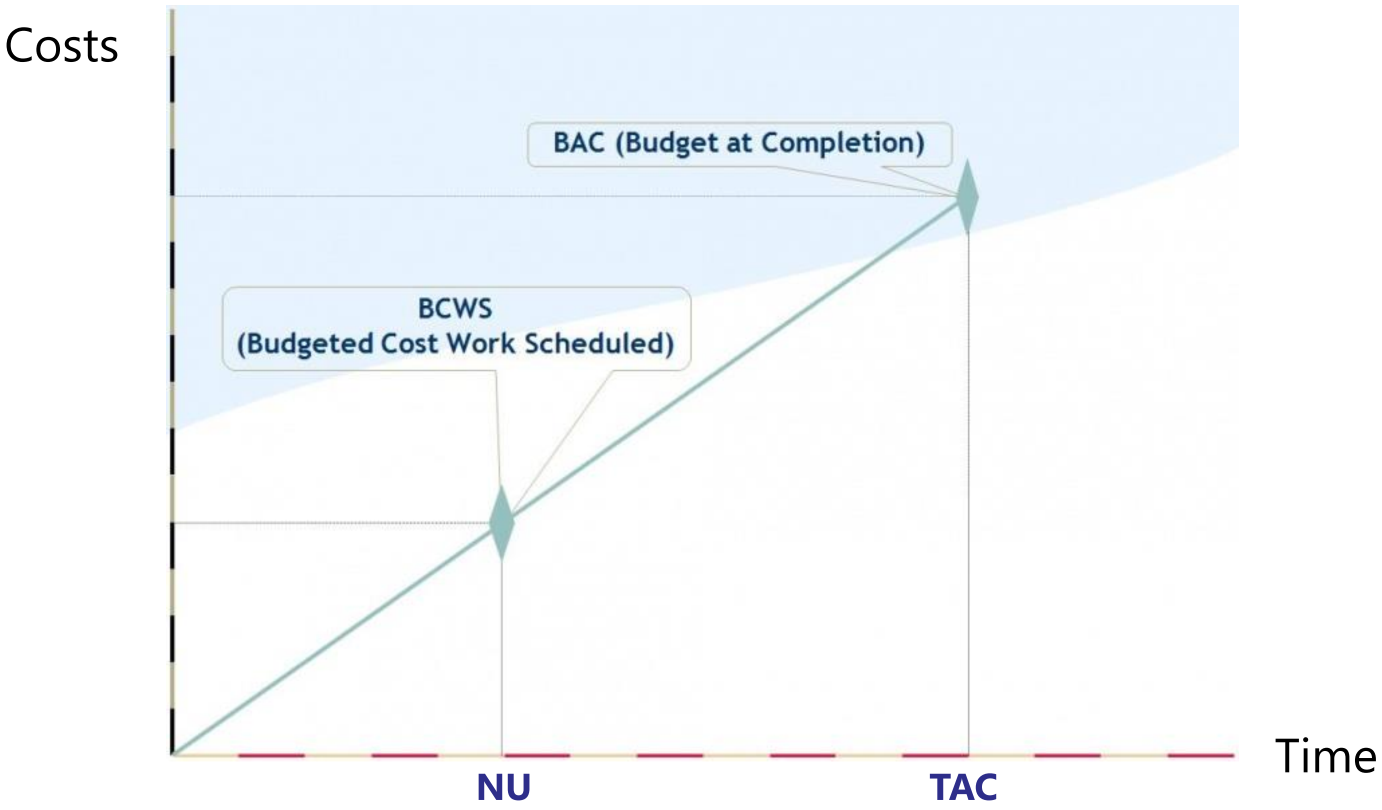
The difference between the costs planned in the work and the budgeted costs gives an indication of the project's status **relative to schedule.** A positive number means the project is ahead of schedule; a negative number means it is behind.

CV “Cost Variance (BCWP-ACWP)”

The difference between the costs planned in the work and the actual costs spent gives an indication of where the project stands **in relation to the budget.** A positive number means the project is within budget; a negative number means it is over budget.

Earned Value Analysis (EVA)

Progress and predicted final cost and delivery time are determined by extrapolating hours and costs already spent.



Source (translated): PMWIKI IPMA, 2010

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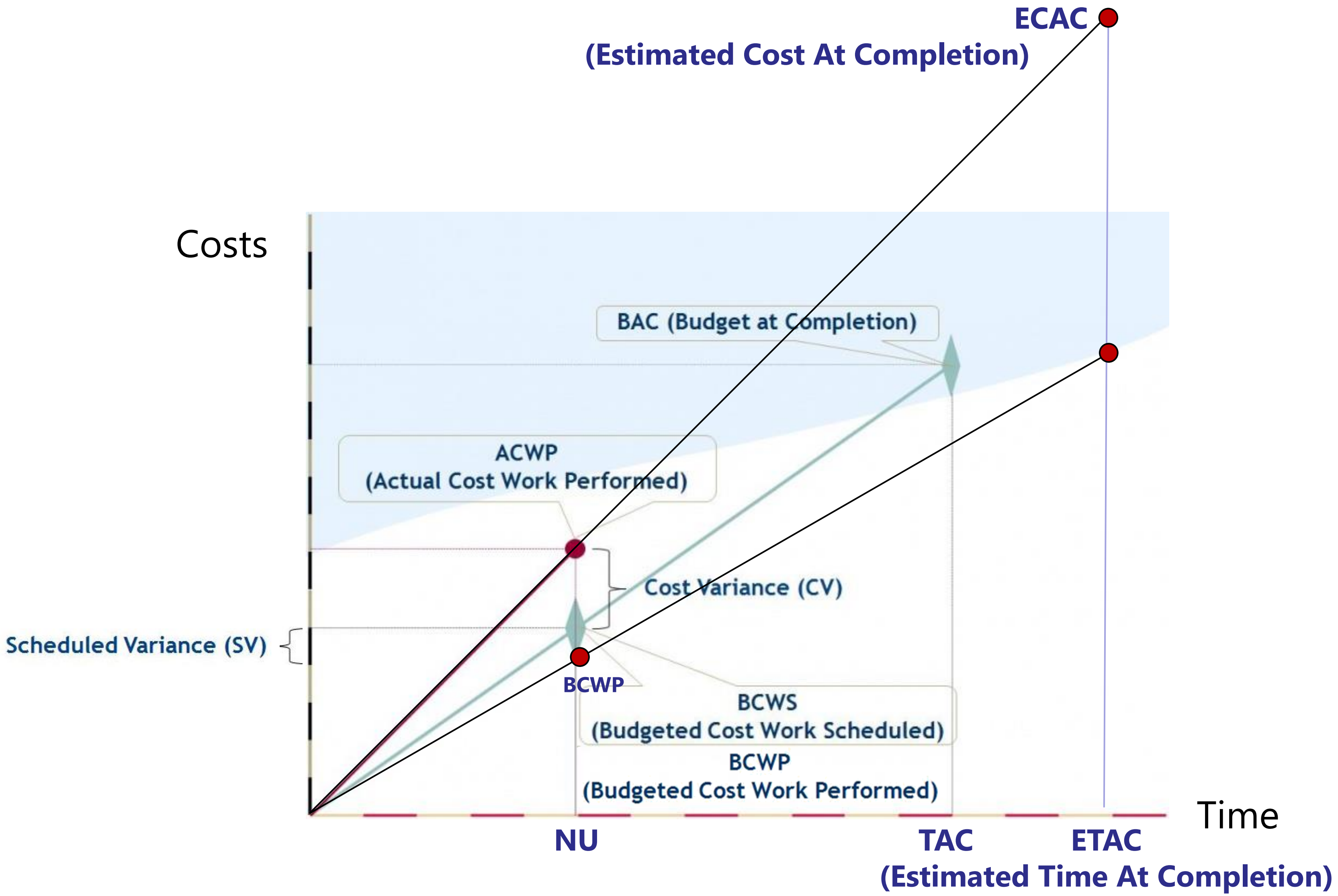

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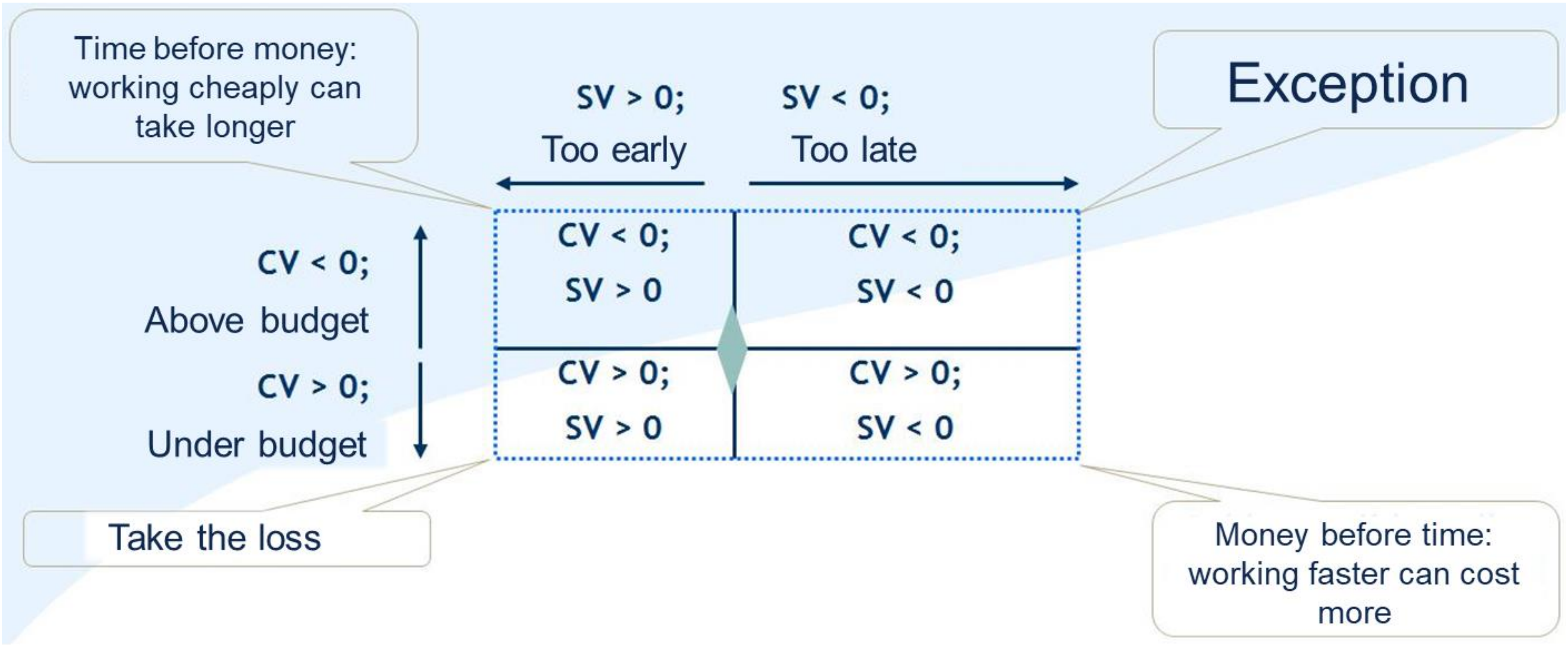

Source (translated): PMWIKI IPMA, 2010

Earned Value Analysis (EVA)

Downsides of the Earned Value Analysis

- Good and complete WBS is essential (a complete project overview is necessary at the start).
- Based on past performance: constant ratio between incurring costs and creating value.
- Assumes a direct correlation between time and costs.
- Measures value based on costs incurred, not based on actual business value.
- Less suitable for projects with uncertainties in the future.

Source (translated): PMWIKI IPMA, 2010

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