

Re: Best way to represent material and equipment purchases

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- *From:* "Pat" <pkelecy at insightbb dot com>
 - *Date:* Fri, 17 Feb 2006 16:51:18 -0500
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Thanks Steve for the detailed reply.

I'm obviously not that well versed in MS Project, and after spending a few days reviewing a couple of MSP books I have, I now realize these were pretty basic questions. I understand better now how to handle them (and differences between work and material resources, etc.). Fortunately in my case the most of the materials and equipment will be going with the final deliverable so I don't need to worry about depreciation. Something to think about though.

Thanks again. -Pat

"Steve House [Project MVP]" <sjhouse.remove.this@xxxxxxxxxxxxxxxxxxxxxx> wrote in message news:u5NWX60MGHA.720@xxxxxxxxxxxxxxxxxxxxxxxxxxxxxx

Resources are not tasks – task are activities performed that create something. Resources are the assets required to do that thing. Items that are purchased and physically incorporated into the project's deliverables or items such as fuel that are used up in the creating of the deliverables are material resources. MS Project doesn't attempt to track when you purchase them – it looks at when you consume them and attributes only the cost of the actual amount of the resource that is consumed to that task where it is used up. The idea is that you might purchase 1 ton of coal but if you only used half of it, you could send the remainder back to the vendor and get a refund. Now that may not be really true, but the budgeting process pretends that it is. And it's really not so far-fetched – since you can use any remaining for other things, you have actually only "spent" that portion of the actual purchase cost that is used up – the rest is an asset sitting in storage, banked for future use as desired. In a manner of speaking, the money it cost was simply money moved from one bank account into another, not really spent at all since you still possess its full value. The full purchase price of tools such as the multimeter that you purchase for the work resources to use are not part of the project budget either – they are capital assets acquired by the firm and can be used for other projects besides the one going on when they were purchased. As a result, their cost to your project is only that portion of their depreciation that accrues as a direct result of project

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work being done with them and you handle that in the budget just as if they were people and it is an hourly "wage" paid to employ them.

So to use your example:

Resources

1: Digital multimeter – lifespan 3 years, cost \$40. Depreciation \$13.33 per year, estimated usage 100 hours per year, cost per hour \$0.1333.

Entered as work resource "earning" \$0.1333 per hour.

Copper Wire – 10lb@\$60 = \$6 per lb. Entered as material resource with material label "pounds" and std rate of \$6.

Bracket – \$25. Entered as material resource, material label "each" and std rate \$25

Task Test Component X – duration 3 days (say)

Resources assigned and cost – Digital meter, 24 hours at \$0.1333 per hour, cost \$3.20 – the meter costs more but unless you throw it away at the end of the task or install it as a permanent part of Component X, only \$3.20 of its actual cost is spent doing THIS specific task's work in this specific project – Wire 10lb@\$6 cost \$60 – bracket 1 each @\$25 – total cost accruing to the project budget on the dates the work is done, \$88.20.

If you need to track purchases made during the project, a better place to do it is in Excel. Remember Project's costing features are a cost-of-work estimating program, not an accounting program.

HTH

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Steve House [MVP]

MS Project Trainer & Consultant

Visit <http://www.mvps.org/project/faqs.htm> for the FAQs

"Pat" <pkelec@insightbb.com> wrote in message
news:u9swuzLMGHA.2916@xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx

What is the best (or easiest) way to represent material and equipment purchases in project plan (MS Project 2003), particularly if I later want to generate a summary report listing all of these?

For example, say I have task, "Test component X" that requires that I purchase (a) digital multimeter from vendor A for \$40, (b) 10 lbs of copper wire from vendor B for \$60, (c) support bracket from vendor C for \$25. Right now I just list each material item as if it were a task and enter its cost as Fixed Cost (I added a column to the task sheet for this). This works from the standpoint of capturing the purchase and its cost, but if I want to generate a report listing only such material and equipment purchases I can't (or don't know how) to do that.

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Is there a better way? Should I create a resource called "Equipment Purchase" and assign that to each material and equipment "task"? What if I have labors hours as well as equipment purchases together? Since I know this is a common issue, I imagine there are some better ways of doing this.

Thanks for any help with this. I appreciate it.

Pat