Alternative “C” Economic Analysis

* Contains:

1. Tangible Benefits Worksheet
2. One Time Cost Worksheet
3. Recurring Cost Worksheet
4. Discount rates

* Used to create Cost/Benefit Analysis Spreadsheets for possible alternative solutions. Cost/Benefit Analysis spreadsheet is located in doc sharing.
* Description of Alternative C – Nova Corporation. (see page 151 in the book)

1. Industry Leader in CRM solutions
2. Large and complex
3. Pricing only based on modules purchased
4. License for the use of the system is middle of the row
5. Tangible Benefits Worksheet - Nova

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| --- | --- | --- |
| Nova - Alternative “C” Tangible Benefits Worksheet | | |
| A. | Cost reduction or avoidance | $12,500 |
| B. | Error reduction | $ 3,500 |
| C. | Increased Flexibility | $ 5,500 |
| D. | Increased speed of activity | $ 7,500 |
| E. | Improvement management/planning control | $15,000 |
| F. | Ease of interfacing with business partners | $16,000 |
| Total Tangible Benefits | | $60,000 |

1. One Time Cost Worksheet – Nova

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| Nova - Alternative “C” One Time Costs Worksheet | | |
| A. | Development Costs | $ 2,000 |
| B. | New Hardware | $ 1,000 |
| C. | Software License or Purchase cost | $19,500 |
| D. | User Training | $ 3,500 |
| E. | Site Preparation | $ 4,000 |
| Total One Time Costs | | $30,000 |

1. Recurring Cost Worksheet – Nova

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| --- | --- | --- |
| Nova – Alternative “ C” Recurring Cost Costs Worksheet | | |
| A. | Software Maintenance | $ 2,500 |
| B. | Incremental Data Storage | $ 2,500 |
| C. | Communications | $ 9,000 |
| D. | Supplies | $ 7,000 |
| E. | Other | $ 4,000 |
| Total Recurring Costs | | $25,000 |

1. Discount Rate = 12%

**Need to let Management Team know what:**

1. **What the Overall NPV is.**
2. **What the Return on Investment is.**
3. **What the Break Even Point is.**

**Also discuss in the Baseline Project Plan Report**