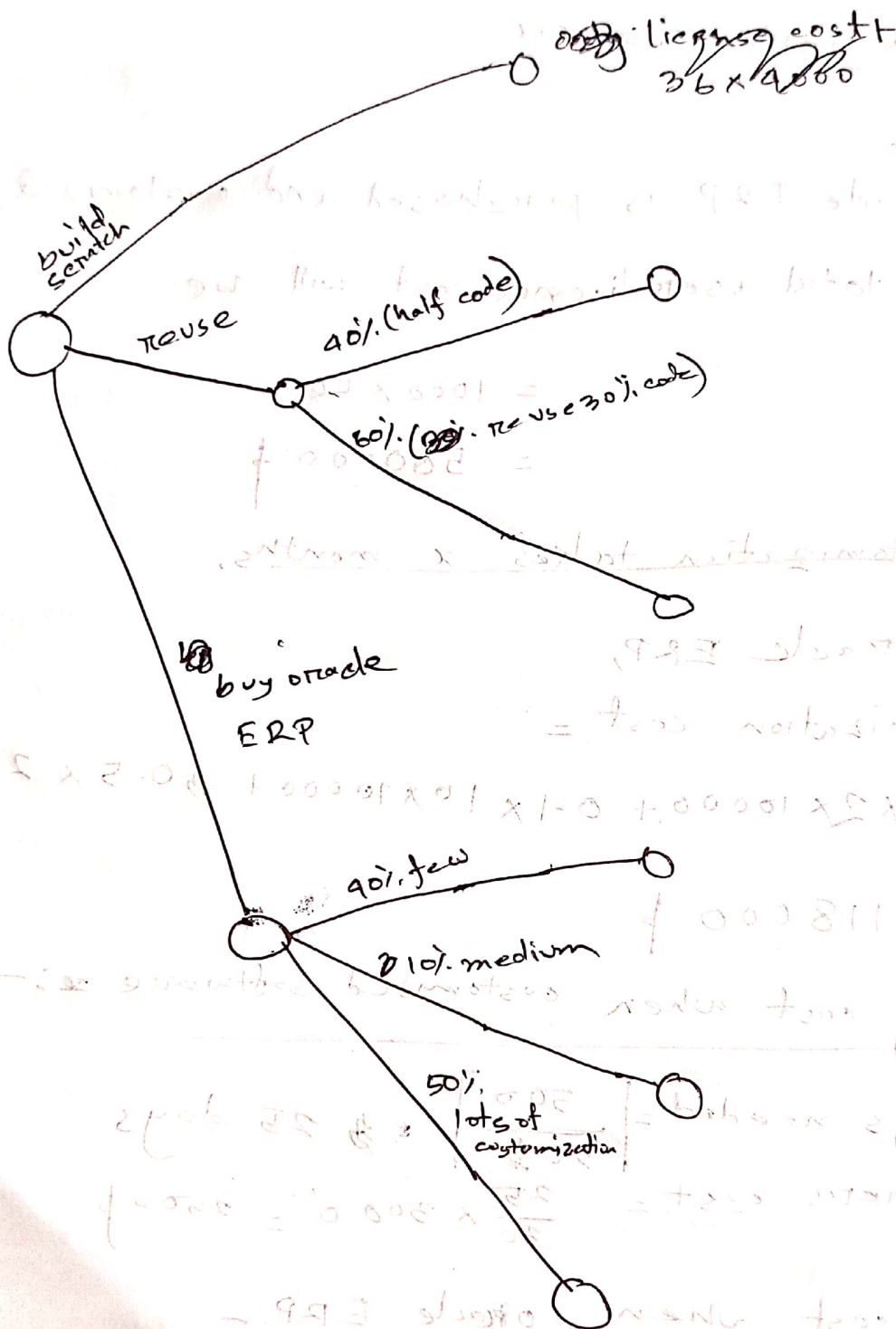


1705045  
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Pg-1



, Pg-2

If Oracle ERP is purchased and customized,  
total user license cost will be

$$\begin{aligned} &= 1000 \times 500 \\ &= 500000 \$ \end{aligned}$$

If customization takes x months,

For Oracle ERP,

customization cost =

$$\begin{aligned} &0.4 \times 2 \times 10000 + 0.1 \times 10 \times 10000 + 0.5 \times 20 \times 10000 \\ &= 118000 \$ \end{aligned}$$

Training cost when customized software :-

$$\begin{aligned} \text{Days needed} &= \left\lceil \frac{500}{20} \right\rceil = 25 \text{ days} \\ \text{trainers cost} &= \frac{25}{30} \times 3000 = 2500 \$ \end{aligned}$$

Training cost when Oracle ERP:-

$$\begin{aligned} \text{Days needed} &= \left\lceil \frac{500}{20} \right\rceil \times 2 = 50 \text{ days} \\ \text{trainers cost} &= \frac{50}{30} \times 3000 = 5000 \$ \end{aligned}$$

Pg-3

So,

if we buy oracle ERP and customize,

cost =

$$(\text{license cost}) + (\text{customization cost}) + (\text{training cost}) \\ = (500000) + (0.4 \times 2 \times 10^4 + 0.1 \times 10 \times 10^4 + 0.5 \times 20 \times 10^4) + (5000) \$$$

$$= 623000 \$$$

if we reuse, cost

$$= 0.4 \times \left( \underset{\substack{\uparrow \\ \text{month}}}{12} \times \underset{\substack{\uparrow \\ \text{person}}}{20} \times \underset{\substack{\uparrow \\ \text{salary}}}{4000} \right) + \left( \frac{100 - \text{reuse}}{100} \right) \times 0.6 \times (18 \times 20 \times 4000 \times 67) \\ = \cancel{1248000 \$} \quad 796800 \$$$

if we develop from scratch, scratch,

$$\text{cost} = \text{Development cost} + (\text{training cost})$$

$$= (20 \times 6 \times 4000) + (2500) \$$$

$$= 288250 \$$$

we see, buying oracle ERP and customization will be better choice