

Company X 2001

Cost-Benefit Analysis for Peregrine Asset Center Purchase

ONE-TIME COSTS	2002	2003	2004	2005	2006	2007	Total	Source
Project Resources								
Internal	108,000							J. DeM. (HR)
External	\$ 1,566,015							Peregrine Proposal
Subtotal	\$ 1,674,015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,674,015	
Software								
Asset Center	\$ 1,426,110							Peregrine Proposal
Hardware								
Base System Server	(see dep'n)							
Network Appliance, Hardware	(see dep'n)							
Subtotal	\$ 1,426,110	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,426,110	
Training	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,000	Peregrine Proposal
ONE-TIME COST TOTAL	\$ 3,088,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,130,125	
ONGOING COSTS								
Hardware Depreciation	\$ 8,400	\$ 16,800	\$ 16,800				\$ 42,000	Peregrine Proposal
Software Depreciation								N/A; Note 16
Depreciation Subtotal	\$ 8,400	\$ 16,800	\$ 16,800	\$ -	\$ -	\$ -	\$ 42,000	
System Support	90,000	188,100	196,565	205,410	214,653	112,156	\$ 1,006,884	IBM Experience
System Subtotal	90,000	188,100	196,565	205,410	214,653	112,156	1,006,884	
Software (Annual Maintenance)	157,298	314,595	314,595	314,595	314,595	157,298	\$ 1,572,975	Peregrine Proposal
Software Maintenance Subtotal	\$ 157,298	\$ 314,595	\$ 314,595	\$ 314,595	\$ 314,595	\$ 157,298	\$ 1,572,975	
ONGOING COST TOTAL	\$ 255,698	\$ 519,495	\$ 527,960	\$ 520,005	\$ 529,248	\$ 269,454	\$ 2,621,859	
Total	\$ 3,343,823	\$ 519,495	\$ 527,960	\$ 520,005	\$ 529,248	\$ 269,454	\$ 5,751,984	
ONGOING BENEFITS:								
PC Assets Missing or Unaccounted for	\$ 559,344	\$ 1,169,029	\$ 1,221,635	\$ 1,276,609	\$ 1,334,056	\$ 697,044	\$ 6,257,718	"1. Missing"
PC Assets Unused	\$ 422,257	\$ 882,517	\$ 922,230	\$ 963,730	\$ 1,007,098	\$ 526,209	\$ 4,724,041	"2. Unused"
Configuration Information Available to Service Desk	\$ 405,000	\$ 846,450	\$ 884,540	\$ 924,345	\$ 965,940	\$ 504,704	\$ 4,530,979	"3. Service Desk"
Elimination of present AM systems	\$ 125,575	\$ 251,150	\$ 251,150	\$ 251,150	\$ 251,150	\$ 125,575	\$ 1,255,750	"4. Systems Replacement"
Stop overpurchasing PC S/W licenses	\$ 270,000	\$ 564,300	\$ 589,694	\$ 616,230	\$ 643,960	\$ 336,469	\$ 3,020,652	"5. Software Overpurchase"
Excess support driven by obsolete PC Assets	(waiting for data)	(waiting for data)	(waiting for data)	(waiting for data)	(waiting for data)	(waiting for data)	\$ -	Actual from G/L
Tax reductions from elimination of unused assets	(not quantified)	(not quantified)	(not quantified)	(not quantified)	(not quantified)	(not quantified)		
Eliminate manual tasks to integrate systems	(not quantified)	(not quantified)	(not quantified)	(not quantified)	(not quantified)	(not quantified)	\$ -	IBM Estimate; Company X intv.
Stop overpurchasing DASD for servers	(not quantified)	(not quantified)	(not quantified)	(not quantified)	(not quantified)	(not quantified)		IBM Estimate; Company X intv.
ONGOING BENEFITS TOTAL	\$ 1,782,176	\$ 3,713,446	\$ 3,869,249	\$ 4,032,063	\$ 4,202,205	\$ 2,190,001	\$ 19,789,139	
BENEFITS-COSTS								
Per Year	\$ (1,561,647)	\$ 3,193,951	\$ 3,341,289	\$ 3,512,059	\$ 3,672,956	\$ 1,920,547	\$ 14,079,155	
NPV Factor @ 4.5% discount	1.0000	0.9569	0.9157	0.8763	0.8386	0.8025		Annual rate of inflation
NPV	\$ (1,561,647)	\$ 3,056,412	\$ 3,059,719	\$ 3,077,605	\$ 3,079,999	\$ 1,541,145	\$ 12,253,233	
Cumulative NPV	\$ (1,561,647)	\$ 1,494,765	\$ 4,554,484	\$ 7,632,089	\$ 10,712,088	\$ 12,253,233		

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Payback Period =

0.97 years

Rate of Return after 5 years

397%

Avg return per year

79%

Assumptions:

ROI over a 5 year period beginning in mid-2002

Number of PC's and Laptops

Number missing or unaccounted for

Number unused but still deployed, not recycled

Discount rate

Assumes average value per unit to be

Over purchase of software

Annual PC software not reclaimed and recycled

Estimated annual salary inflation

Initial investment in hardware

3 internal resource for 6 months @\$60,000 each

RRR for Company X investments

Est. annual T & M payments for out-of-warranty PC's

Retirement of old AM systems

Load rate for employee benefits

Company X will expense software purchase

41,134	Source: Company X SMS system on 12/19/01
3.0%	META benchmark places this number is somewhere between 10% and 15% depending upon the degree of management
2.0%	META benchmark places this number at 2% and estimates annual storage and handling costs of \$360 each
4.5%	Estimated annual inflation rate
\$ 906.54	See Worksheet "PC Statistics"
10%	META benchmark for all software not subject to reclaim and recycle
\$ 5,400,000	Rosalie S., Company X CORS report
104.5%	
\$ 42,000	IBM Peregrine Proposal
\$ 121,500	
15%	per Jeff DeC.
(waiting for data)	
\$ 251,150	See Worksheet "Systems Replacement"
120%	per Julia DeM.