

Financial services essays examples

[Technology](#), [Internet](#)



Answer 1

Annual expenses will reduce when the new system is implemented. This will be based on several cost savings due to increase in efficiency. The first saving is that of amortization and support of the current system. Total savings in this case will be \$ 301, 000 and \$ 468, 000. This is because the automated system will not require any support. Front end origination will not be needed. This will result in savings of \$ 27, 000. The other saving will be on the report and document imaging. Both the amortization and support will not be needed with the new system. This will result in savings of \$ 45, 000 and \$ 29, 000 respectively. In addition, fraud will be eliminated under the new automated system. This will result in savings of \$ 76, 000 and \$ 42, 000. Current hardware will be eliminated. As a result, there will be savings of \$ 50, 000 and \$ 562, 000. Therefore, total net reduction in annual expenses under this automated system will be \$ 301, 000 + \$ 468, 000 + \$ 27, 000 + \$ 45, 000 + \$ 29, 000 + \$ 76, 000 + \$ 42, 000 + \$ 50, 000 + \$ 562, 000 = \$ 1, 600, 000. Answer 2

The useful life is 20 years the savings of this project would be spread over the entire period. Therefore, the savings over a 20 year period would be given by $\$ 1, 600, 000 * 20 = \$ 32, 000, 000$. Answer 3

The first calculation will be the NPV. The \$ 1, 600, 000 will represent an annuity to be saved over 20 years. The present value will be given by $A [1 - (1 + r)^{-n}] / r$. In this case, A will be the annuity; r will be the cost of capital while n will be the period. This implies that $A = \$ 1, 600, 000$ while $r = 10\%$ and $n = 20$ years. Therefore, the present value of the savings will be $\$ 1, 600, 000 [1 - (1. 1)^{-20}] / 0. 10 = \$ 13, 621, 702$.

In order to obtain these savings, SCB will incur 9 million dollars. In addition, there will be maintenance costs of \$ 1, 000, 000. Maintenance costs will have a present value of \$ 1, 000, 000 $[1-(1. 1)^{-20}]/ 0. 10 = \$ 8, 513, 564$. Therefore, the NPV will be \$ 13, 621, 702 - (\$ 9, 000, 000 + 8, 513, 564) = - \$ 3, 891, 862. The ROI will be obtained by dividing the net gain over the investment cost. The net gain will be found out by deducting costs from the proceeds and dividing the result by costs. The ROI will be $\$ - \$ 3, 891, 862 / \$ 9, 000, 000 = -0. 43$, which is equivalent to -43%. The IRR will be calculated by utilizing the costs of \$ 9, 000, 000 and the savings of \$ 13, 621, 702. Therefore, it will be $\$ 9, 000, 000 / \$ 13, 621, 702 * 100 = 66. 07\%$. Answer 4

The scope document for this project will comprise of several sections. The first is the project objective. The project objective is the replacement of a CBS with a high tech one that eliminates new interfaces, spreadsheets and handwritten documents. The deliverable for this project is an integrated core banking system. The milestone was approval of the contract by 30th September 2005. The technical requirements are banking products such as certificate of deposits, home equity loans and online loan applications. The limit is that SCB has to adopt a Business Loan Request Sheet. This represents a complement to the automated CBS.