

# Economic analysis of the new system

Technology, Information Technology



Economic analysis of a new system Economic analysis of a new system New System Investment and Implementation Costs In sum, it is clear that when deciding to implement or practice new systems within an organization, the managers need to realize that new systems require a lot of capital. In addition, they also incur large sum of money in the investment of time spent acquiring knowledge about a particular environment, testing the system, staff and the associated reduction in efficiency due to operating with a new and unknown service.

## 2. New System Operation Costs

The new system operation costs will include services such as correct usage of power, maintenance of firm physical facilities, identifying the operation cost of devices, maintenance of servers, and training of workers on IT related things. The new economic system requires monthly equipment training (1 hour training), Monthly software training (1 hour training), and monthly IT training on new system software.

## 3. Payback Analysis or Return on Investment Analysis

The return on investment is very significant to a company because it predicts the ratio or percentage of profits or gains to cost. However, the company manager need to understand that return on investment does not talk about time nor does it show how long a business might take to gain a certain percentage. In addition, it does not demonstrate the risk or danger of an investment. Payback analysis is very significant since it shows the duration a business takes for the entire gains from an investment to reach the cumulative cost. Therefore, investments with less time for payback have lower risks or danger than those with much time or longer periods have.

#### 4. Benefits (tangible and intangible)

The benefits are tangible and intangible. The tangible benefits are enhanced quality and inventory. In addition, it facilitates inclusion of all devices with real components, it give mobile users time to carry out practical transactions in absence of an available terminal. It improves lead-time reduction, helps to ensure all devices are built with the correct components the first time, a dramatic reduction in costly material scraps and wasted overhead that result from rework and by minimizing the risk of mixed components. It also Improve operator efficiencies, PCVs use of mobile devices gives users the freedom to perform real-time transactions while they work without having to seek out an available terminal. Additionally, intangible Benefits are indirect benefits that cannot be seen. For instance, such benefits are enhancing customer service via increased access and increased company control, which in turn avoids misuse of company resources. Further, it Increases company's transparency and responsibility, less chance of " losing" documents and increase customer satisfaction.