

# [Preparing the feasibility study 2](https://assignbuster.com/preparing-the-feasibility-study-2-essay-samples/)

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Feasibility Study: A Look at Cost Benefit Analysis of Software System al affiliation: Feasibility Study Creating an application for Information Technology is considered as an investment for the future because these applications can significantly benefit organizations from the feasible profits. This can be in monetary form or improved working conditions. There are also risks associated with it because in some cases, the estimate can be erroneous. Furthermore, it can also turn out to be non-beneficial to the organization in the long run (FreeTutes 1).
Cost benefit analysis is quite beneficial when assessing the proposed cost of a project as compared to the total anticipated benefits. This aids in determining whether or not the project is valuable to the organization. Furthermore, CBA is useful to the organization as it gives them a clear picture of the CBR (cost, benefit and risks) which can also be used in comparing alternate investments that can be rolled out by the organization (FreeTutes 1). CBA determines the benefits as well as the savings anticipated from the system and compares it with estimated project cost. There are several examples of cost lifecycle including; personnel, supplies, equipment, overheads and consultants’ fees (Plowman 1).
Costs can also be broadly divided into two broad categories which are development and operating costs. Development costs includes wages and equipment, while operating cost includes supplies and overhead costs.
Once the equipment have been purchased, the outstanding expenses are personnel fees and are presented in the table below. It is clear that it keeps on rising steadily through the years.
Maintenance also is cost intensive, and should be checked on in the future to avoid any losses from the project. It should be noted that maintenance fees are required to ensure that the machines are up and running at all times (FreeTutes 1).
When the results of the comparative evaluation suggest that benefits associated with the projects outweigh the cost of starting the project, then the project can be implemented without further delays.
CBA has a three parts associated with it. First, the potential costs to be incurred, secondly, anticipated benefits associated with the proposed actions and finally, the difference to determine if the project is feasible (+results) or non-feasible (-results) (Plowman 1). The procedure to be followed when doing a CBA includes evaluation of the projects’ benefits and cost.
To effectively achieve a perfect CBA, the team leader of the project must take into consideration the steps one has to follow. Includes brainstorming the costs and benefits of doing the project. The list of all the costs and benefits should be made available while undertaking the study. They should also think of unexpected cost during the process. The next step involves assigning the monetary value to the cost and these includes the resources required, that of human effort used. This is relatively easy to come up with the estimates. Step three is assigning the monetary value to the expected benefits, which is a less straightforward one. It can prove to be difficult to estimate the revenue expected accurately. The benefits value is often intangible and will be used in determining the feasibility of the project.
There are flaws associated with cash benefit analysis like varying revenues from the estimates periodically. There is also an aspect of predicting exactly if the implemented project will achieve its target. This in the end affect the assessment of the revenues (possible) and makes it unreliable.
Cost Benefit Analysis as measured in USD
Year/cost
Year 1
Year 2
Year 3
Year 4
Year 5
Hardware
50, 000
Software
50, 000
Manpower
7, 000
10, 000
20, 000
30, 000
40, 000
Maintenance
0
5, 000
7, 000
9, 000
11, 000
Cost at the year end
107, 000
15, 000
27, 000
39, 000
51, 000
Cumulative cost
107, 000
122, 000
149, 000
188, 000
239, 000
Expected Benefits from the proposed project
Year/Benefit
Year 1
Year 2
Year 3
Year 4
Year 5
From end products
20, 000
25, 000
30, 000
35, 000
40, 000
Sales Increase
25, 000
30, 000
35, 000
40, 000
45, 000
Benefits at year end
45, 000
55, 000
65, 000
75, 000
85, 000
Cumulative benefits
45, 000
100, 000
165, 000
240, 000
325, 000
Thus profits can be calculated as the difference between the costs from benefits
Therefore: Profits = Benefits – Costs
= 325, 000-239, 000
= USD 86, 000
The project is feasible to the company, and hence can be implemented.
References
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