

### Cumulative Cost and Benefits -- Bill Seling

<b>Year</b>	<b>Costs</b>	<b>Cumulative Cost</b>	<b>Benefits</b>	<b>Cumulative Benefits</b>
0	\$45,000.00	\$45,000.00	-	-
1	\$9,000.00	\$54,000.00	\$30,000.00	\$30,000.00
2	\$9,000.00	\$63,000.00	\$33,000.00	\$63,000.00
3	\$9,000.00	\$72,000.00	\$36,300.00	\$99,300.00
4	\$9,000.00	\$81,000.00	\$39,930.00	\$139,230.00
5	\$9,000.00	\$90,000.00	\$43,923.00	\$183,153.00

**ROI:** 103.50%

**Net Present Value -- Bill Seling**

	<b>Year 0</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Benefits</b>		\$30,000.00	\$33,000.00	\$36,300.00	\$39,930.00	\$43,923.00
<b>Factor</b>	1.000	0.909	0.826	0.751	0.683	0.621
<b>PV of Benefits</b>	-	\$27,270.00	\$27,258.00	\$27,261.30	\$27,272.19	\$27,276.18
<b>Costs</b>	\$45,000.00	\$9,000.00	\$9,000.00	\$9,000.00	\$9,000.00	\$9,000.00
<b>Factor</b>	1.000	0.909	0.826	0.751	0.683	0.621
<b>PV of Costs</b>	\$45,000.00	\$8,181.00	\$7,434.00	\$6,759.00	\$6,147.00	\$5,589.00

**Net Present Value:** \$57,227.67

**Total**

\$183,153.00

\$136,337.67

\$90,000.00

\$4.79

\$79,110.00

## Comparison -- Bill Seling

Well, this was more fun than I expected--and I was NOT anticipating having fun ;-)

I can see how the NPV method would be useful for illustrating the difference between buying something now and paying for it in its entirety or spreading the cost out over some period of time. It's more useful for looking at the project from a dollars perspective.

The ROI method looks to be more useful for deciding on keeping something old (like a system) or purchasing a new system (and cutting out some of the maintenance and operations costs). The ROI method tells you how efficient your project will be.

I'm not a money guy. My early years were spent in organizations with deep pockets and a pretty easy view on upgrading systems and solutions. In these later years, I've had more exposure to companies that are under close scrutiny to reign in IT costs (bummer).

As an analyst type, I want to look at as many numbers as I can, and I'd like to see BOTH results from both methods. I can't tell from these examples, but I imagine if I do enough of these, I'd find a case where one of my projects might be rejected by one method but approved using another.

If I had to choose one, I'd probably tweak ROI to show me dollars because percentages over time don't really give me information I can use to talk myself into or out of a project. I can live without NPV because I figure whatever money is going to do it going to be out of my control and applicable across the board (which is why I'm not good at investing).