The expected cost of building or acquiring solution + transition cost Example: Building = 25'000.- CHF + Transition Costs = 10'000.- = 35'000.- CHF

**Cost Of Change** 

**TCO** 

Cost to acquire, use and support the solution

Example : Acquire = 25'000.- CHF + Use = 10'000.- + Support = 6'000.- CHF

25'000 + 10'000 + 6'000.- = 41'000.- CHF

The payback period provides a projection on the time period required to generate enough benefits to recover the cost of the change, irrespective of the discount rate.

Once the payback period has passed the initiative would normally show a net financial benefit to the organization, unless operating costs rise. There is no standard formula for calculating the payback period. The time period is usually expressed in years or years and months.

**Payback Period** 

The IRR calculation is based on the interest rate at which the NPV is 0:

Net Present Value = (-1 x Original Investment) + Sum of (net benefit for that period / (1 + IRR) for all periods) = 0.

(-1 x Original Investment) + Sum of [Net Benefit of Period/(1+IRR)] = 0

**Internal Rate of Return** 

BABOK Les formules The formula to calculate ROI is:
Return on Investment = (Total
Benefits - Cost of the Investment) /
Cost of the Investment.
The higher the ROI, the better the
investment.
Example: Total Benefits (sales) =
100'000.- CHF
Costs = 80'000.CHF
Sales 100'000.- CHF - Costs 80'000.- =
CHF
20'000.- CHF (Net Benefits) / Costs
80'000.- CHF = 0.25 (=> 25 %)

**Return on Investment** 

The formula to calculate present value is: Present Value = Sum of (Net Benefits in that period / (1 + Discount Rate for that period)) for all periods in the cost-benefit analysis. Present value is expressed in currency. The higher the present value, the greater the total benefit.

Present value does not consider the cost of the original investment.

Example for a 7% discount rate (1 year only)
Net benefits 20'000.- CHF / (1 +Discount
Rate 7%) => 1.07

20'000.- / 1.07 = 18'691.58.. CHF

**Present Value** 

The formula to calculate net present value is:

Net Present Value = Present Value Cost of Investment
Net present value is expressed in
currency. The higher the NPV, the
better the
investment.

investment.

Example : for an investment cost of 10'000.-

NPV = 18961.58 - 10'000.- = 8'961.58

**Net Present Value**