Thinking Projects:

A Simple Cost Benefit Analysis

Are you looking for a simple means to assess and communicate the ongoing value of a project?

FIND A BREAK EVEN POINT

Every project that you consider embarking on will have real and potential risks, costs and benefits. Many of these can be stated in dollar ($) terms. For Instance:

- Buying that particular item of equipment will cost $1,200.
- Buying that service will cost $10 per week or $520 per year.
- Profit on sales of the resulting product will be $20 per week or $1,040 per year.
- The benefit of this is the re-deployment of 1 staff member ($32,000 per year).
- The benefit of that backup system is the prevention of the business losing all its data and facing subsequent issues.

When a project is being costed, including initial and ongoing costs and identified benefits, a spreadsheet application such as Microsoft Excel ™ can be used to visually represent a 'Cost Benefit Analysis' for the project.

How to Draw an Excel Chart

For instance, say we have a project that costs $2,000 up front and $200 per month thereafter. The same project returns $500 per month in sales profit. We might prepare our simple 'Cost Benefit Analysis' as follows:

1. Open Microsoft Excel ™
2. Add the columns as shown on the right (Figure 1)
3. Highlight (select) the table then click 'Insert' > 'Chart' as shown on the right (Figure 2)
4. Select a line graph and add formatting as required.

The resulting graph displays a simple 'Cost Benefits Analysis' that can be used to demonstrate the 'Break Even Point' where the 'Benefits' start to outweigh the 'Costs'.

A more sophisticated Cost Benefit Analysis database product is being offered as a ***free download*** *from OTS Database Group. For more information please go to* www.ostdatabasegroup.com.au

	A	B	C
1	Time	Cost	Benefit
2	Start	$2,000	$0
3	Mth 01	$2,200	$500
4	Mth 02	$2,400	$1,000
5	Mth 03	$2,600	$1,500
6	Mth 04	$2,800	$2,000
7	Mth 05	$3,000	$2,500
8	Mth 06	$3,200	$3,000
9	Mth 07	$3,400	$3,500
10	Mth 08	$3,600	$4,000
11	Mth 09	$3,800	$4,500
12	Mth 10	$4,000	$5,000
13	Mth 11	$4,200	$5,500
14	Mth 12	$4,400	$6,000
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Figure 1: Data is entered into the spreadsheet

Figure 2: The Data is highlighted and the 'Chart' option is selected

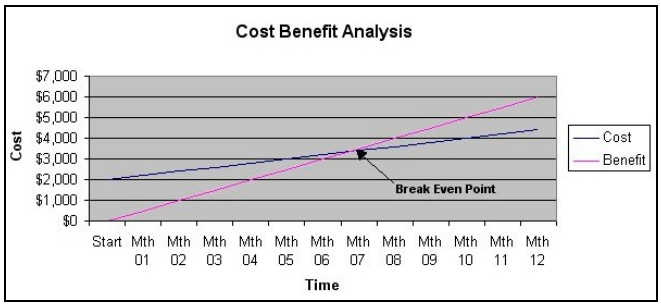

Figure 3: The generated chart displays the 'Costs' and 'Benefits' as two separate lines. The 'Break Even' point is the point where the 'Benefits' start to outweigh the 'Costs'.