

Cost-Benefit Analysis Template

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INTRODUCTION

A cost-benefit analysis (CBA) is a systematic process for calculating and comparing benefits and costs of a project or decision. A CBA helps predict whether the benefits of a project or decision outweigh its costs, and by how much relative to other alternatives. A CBA has two purposes:

1. To determine if the project or decision is a sound investment or decision (i.e., a justification of feasibility or advantage).
2. To provide a basis for comparing projects or decisions. It involves comparing the total expected cost of each option against the total expected benefits, to see whether the benefits outweigh the costs, and by how much.

Using the cost-benefit analysis template in this document will provide cost and benefit information that can be used to analyze and evaluate alternative approaches to projects or decisions. Since this CBA is tailored for IT, it is oriented around projects or decisions relating to new systems or processes (although it can be adapted for other purposes).

NOTE: *Highlighted, italicized text throughout this template is provided to assist you in creating your cost-benefit analysis. Please delete all such text, as well as the instructions in each section, prior to completing this document.*

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1. EXECUTIVE SUMMARY

1.1 Project Description Overview

[Include a one-paragraph description of the associated project/program. This can be obtained from other documents such as a project proposal or Request for Proposal (RFP).]

1.2 Recommendation

Based on the cost-benefit analysis presented below, the following is recommended *[for example:*

- *The outcome of the analyzed project or decision should be X.*
- *The project or decisions described below should/should not be pursued.]*

1.3 Supporting Reasons

The reasons for this recommendation are as follows *[for example:*

- *The financial costs of executing this project or decision outweigh the estimated return on investment.*
- *Although the financial costs and benefits are equal, the intangible benefits outweigh the financial costs, for the following reasons:]*

2. GENERAL INFORMATION

2.1 Purpose

The purpose of this cost-benefit analysis is to determine whether *[decision or project name]* is the best option for *[organization name]* to pursue at this time.

2.2 Overview

The following is a brief overview of the *[decision or project]* analyzed in this document.

- Responsible organization: *[Organization name]*
- Project title or decision question: *[Project name or decision question]*
- Project ID number: *[if any]*
- Description: *[A short description of the project or decision]*
- *[If dealing with software or hardware]* Operational status
 - In operation
 - Under development
 - Undergoing a major modification/upgrade

3. DESCRIPTION OF ALTERNATIVES CONSIDERED

[This section identifies the alternative approaches for the project or decision (for example, as determined in a feasibility study or scan of a particular market for products or services) and provides a brief description of each. In addition, it provides a description of the current situation, if relevant. This information can be drawn from existing documents, such as As-Is and To-Be process flows or websites and wikis that describe the current system or process.]

4. COSTS (Tab 2 of Excel workbook)



[This section provides all costs to develop and operate each alternative described above, including both one-time and recurring costs. A template for calculating these costs is provided in the companion Excel workbook. This spreadsheet may be used or costs and benefits may be presented by listing them below for each alternative.]

Examples of types of costs include:

- *Development costs*
- *Operational costs*
- *Non-recurring costs such as capital investment costs*
- *Recurring costs such as leases, utilities and other overhead]*

5. BENEFITS (Tab 3 of Excel workbook)



[This section describes benefits that can be assigned dollar values for each alternative system described above. Like costs, this may be done in the companion spreadsheet or by listing out the specific category of benefits for each alternative below]

Examples of types of benefits include:

- *Cost reductions such as value enhancement*
- *Recurring benefits, such as lower overhead*
- *Labor cost reductions]*

6. COMPARATIVE COST/BENEFIT SUMMARY (tab 4 of Excel workbook)



[This is a summary of the cost and benefits identified in detail in the previous sections. Present the elements below in a manner that facilitates comparison.]

As with sections 4 and 5, this may be done in the companion spreadsheet or by listing out the specific category of benefits for each alternative under the appropriate section headings. This section should include:

- *Cost of each alternative over its estimated lifetime (taken from section 4)*
- *Expected benefits of each alternative over its estimated lifetime (taken from section 5)*
- *Comparison of the two*
- *Recommendation based on the comparison*
- *Additional reasons for the recommendation, if any]*