

Outcomes addressed in this activity:

- Differentiate between software acquisition alternatives and outsourcing options
- Assess the viability of a business case using three unique financial measures
- Recommend a “go” or “no go” decision based on the presented case.

IT460-1 Compare various types of information systems

Assignment Instructions:

As with past weeks, to find the needed information for this week’s assignment please go to the [“Case Study Assignment Link”](#) found under Learning Activities in Session 7.

Only the following items are required:

1. The organization is asking us whether or not we should consider outsourcing the TIMS assignment. For this part of our assignment, supply the following deliverables:
 - a) What are the pros and cons we must consider if we outsource our assignment?
 - b) What options do we have available if the outsourcing decision is made?
2. Perform three tasks to analyze in-house development of TIMS:
 - a) Using the financial numbers shown below provide the following:
 - i) Three year worksheet as depicted on Page 663 in the Financial Analysis Tools section of our text.
 - ii) Simple Payback Analysis: In your own words, provide a sentence with supporting evidence of what year our assignment “pays back”
 - iii) Return on Investment
 - iv) Net Present Value

For this section of the assignment please use the following “numbers”:

Developmental Costs:	
Salaries incurred by the development team	\$ 125,000
Training center hardware and software required to get ready for the new system	\$ 45,000
Testing costs to ensure a quality application is released	\$ 15,000
Upfront Testing Licensing fees	\$ 5,000



Project Grading Rubric

Course: IT460 Unit: 6 Points: 40

Operational Costs:				
Administration (increases 4% per year after the first year)			\$ 9,000	
Technical support (will decrease 10 per year)			\$ 35,000	
Training salaries (only incurred in Year 1 of the assignment)			\$ 90,000	
Supplies (assigned at \$10 per student per course)			Calculate based on class and student estimates below	
Facilities (rent, cleaning, maintenance -- after first year, will increase 15% per year)			\$ 40,000	
Revenue Estimates				
Assumptions	Classes per Month	Students per Class		Assignmented Revenue
Year 1	9	9		\$ 300,110
Year 2	10	12		\$ 458,000
Year 3	8	9		\$ 625,000

Assignment requirements:

1. Outsourcing; options, advantages and disadvantages
2. Financial analysis; Payback, ROI, and NPV

40 point assignment grading rubric

Assignment Requirements	Maximum points	Points earned
1. List the options available for the possibility of outsourcing the TIMS system	0-10	
2. Created the three-year worksheet	0-10	
3. Using the worksheet data, a	0-5	

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sample solution for payback analysis was created		
4. Using the worksheet data, a sample solution for ROI was created	0-5	
5. Using the worksheet data, a sample solution for NPV was created	0-10	
Column Total	0-40	