

## Project Cost Analysis for Improvement or Equipment

### Figure out the Annual Depreciation Cost of the Improvement or Equipment

total cost of equipment ÷ how many years it will last = Annual Depreciation Cost

**Line**

Total cost of equipment	\$5,000	<b>A</b>
Expected Economic Life <i>(how long it will last)</i>	5 years	<b>B</b>
Annual Depreciation Cost		
total cost of equipment ÷ how many years it will last Line A ÷ B = C	\$1,000 /per year	<b>C</b>

Annual Budget for Improvement or Equipment	Increase (decrease)	
		<b>Line</b>
Additional Revenue <i>(how much more crop production in \$\$)</i>	\$ 8,000	<b>1</b>
Multiply by Gross Margin <i>(same as on the One Page Plan)</i>	40 %	<b>2</b>
Additional Gross Margin <i>(Line 1 X Line 2)</i>	\$ 3,200	<b>3</b>
Annual Depreciation Cost <i>(subtract Line C, cost per year)</i>	\$ (1,000)	<b>4</b>
Interest Expense <i>(subtract cost of borrowing money for project)</i>	\$ (100)	<b>5</b>
Operating Costs:		
<i>(subtract all other operating costs)</i> Utilities	\$ (150)	<b>6</b>
Labor	\$ (250)	<b>7</b>
Other costs	\$ ( )	<b>8</b>
	\$ ( )	<b>9</b>
	\$ ( )	<b>10</b>
<b>Net Income</b> <i>(subtract lines 4-10 from Line 3)</i>	\$ 1,700	<b>11</b>
<b>Calculate Return On Investment</b>		
Net income ÷ cost of equipment X 100 = % return on investment <b>Line 11 ÷ Line A X 100 = ROI%</b>	34 %	<b>12</b>