

Simplistic Financial Computations; Basic Static Concepts

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Abstract

This document explains how simple financial estimates can be made by system architects. These simplistic estimates are useful for an architect to perform sanity checks on proposals and to obtain understanding of the financial impact of proposals. Note that architects will never have full fledged financial controller know how and skills. These estimates are zero order models, but real business decisions will have to be founded on more substantial financial proposals.

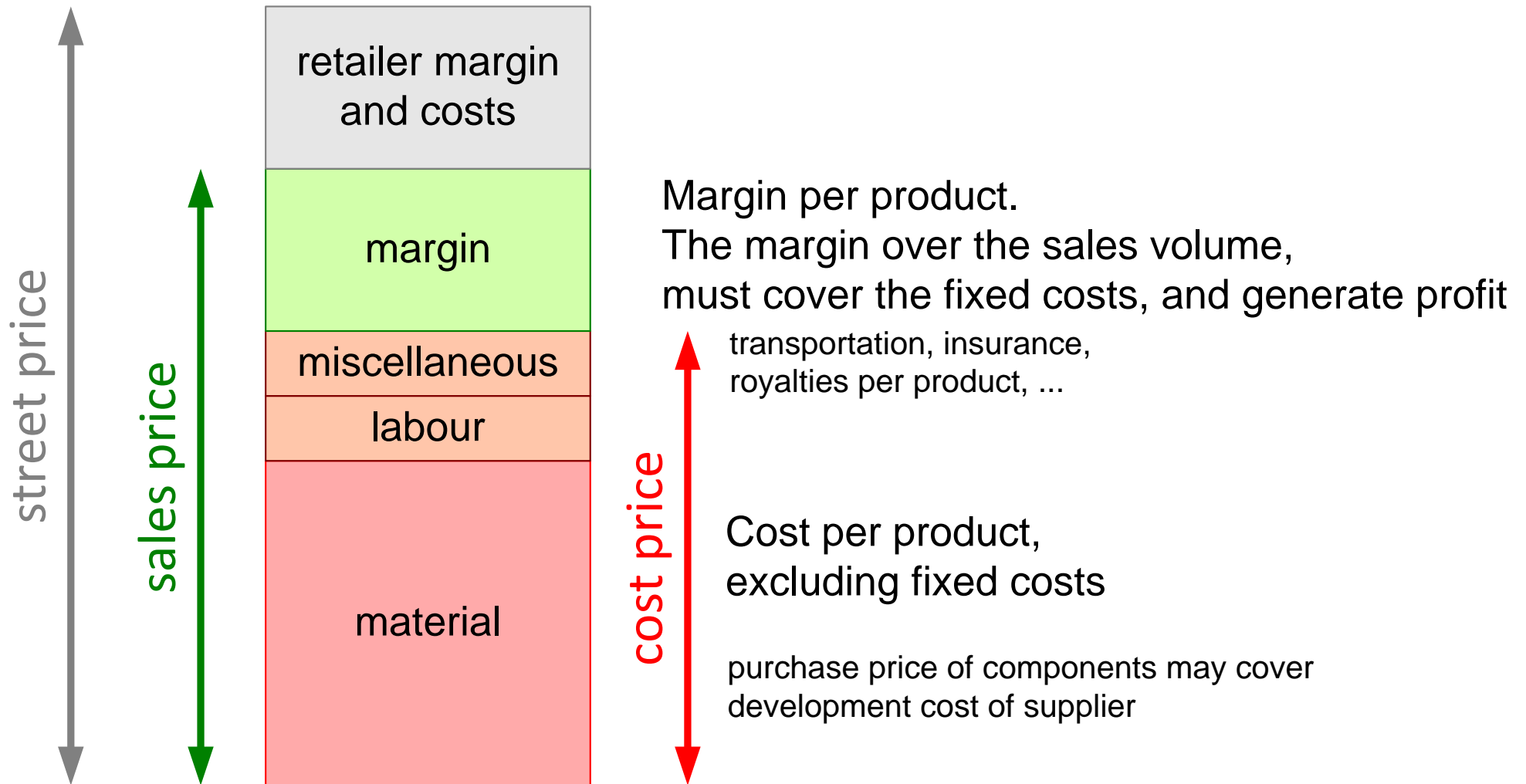
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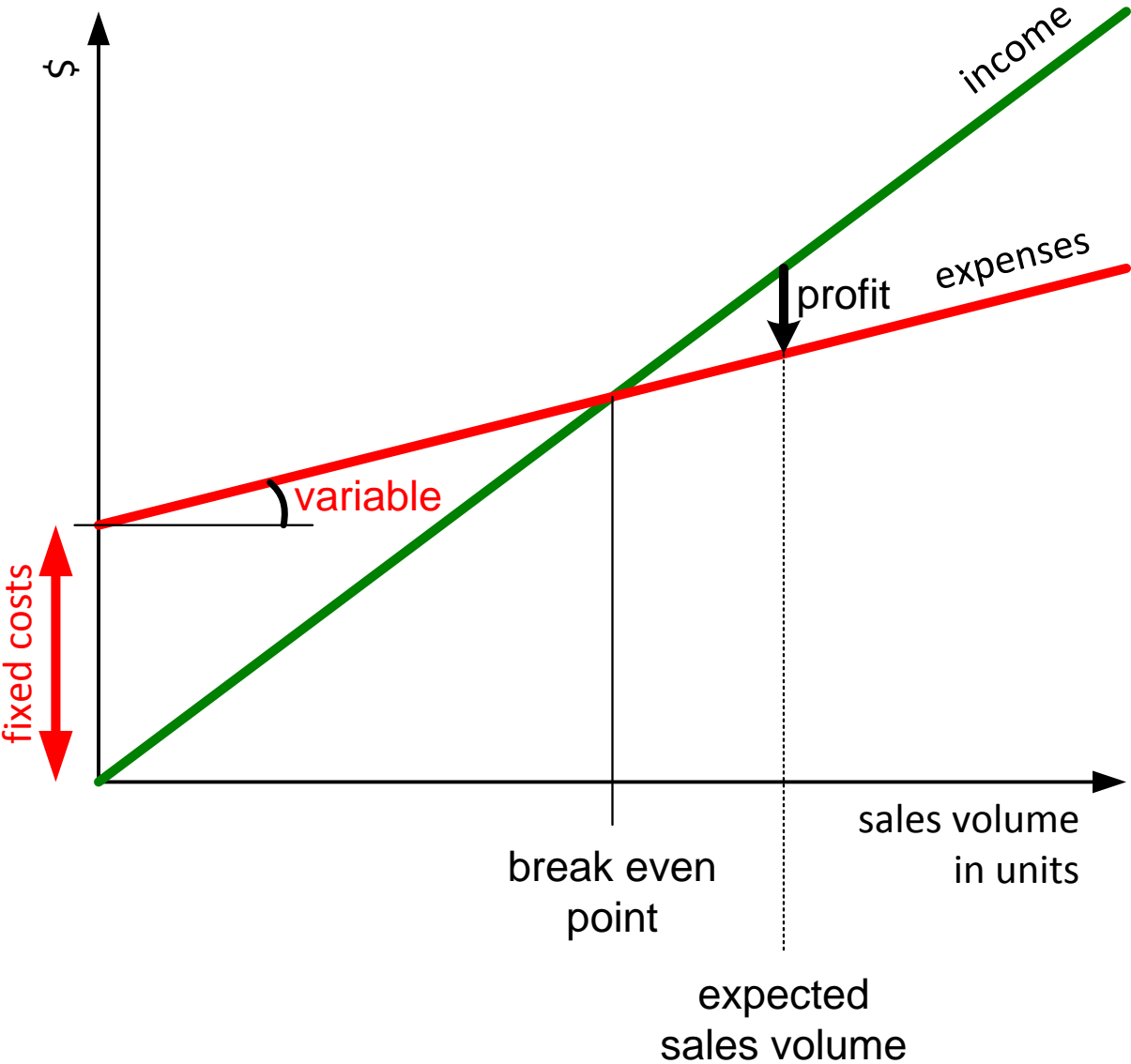
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Product Margin = Sales Price - Cost



Profit as function of sales volume



Investments, more than R&D



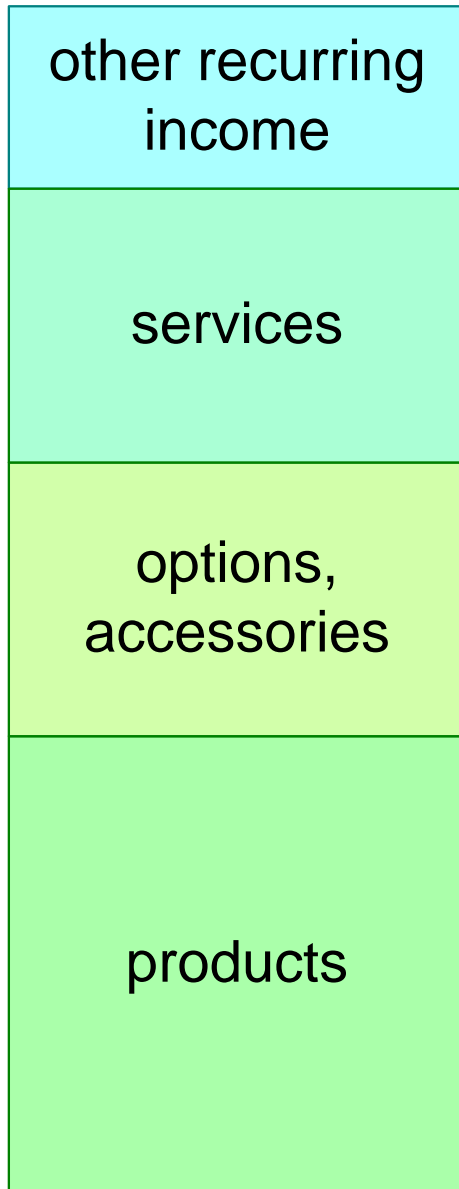
business dependent:
pharmaceuticals industry
sales cost >> R&D cost

strategic choice:
NRE or per product

including:
staff, training, tools, housing
materials, prototypes
overhead
certification

often a standard staffing rate is used
that covers most costs above:
 $R\&D \text{ investment} = \text{Effort} * \text{rate}$

Income, more than product sales only



$$\sum_{\text{services}} \text{income}_{\text{service}}$$

$$\sum_{\text{options}} \text{sales price}_{\text{option}} * \text{volume}_{\text{option}}$$

$$\text{sales price}_{\text{product}} * \text{volume}_{\text{product}}$$

license fees
pay per movie

content, portal
updates
maintenance