Category

Consulting

Financial Modeling & Business Case Development Playbook (Cost-Benefit, NPV)

A repeatable method for building cost-benefit and NPV business cases that hold up under CFO and investment-committee scrutiny.

- Practitioner
- Intermediate
- Template Included

- Mithun A. Sridharan

- 07 May 2022

- 7 minute(s)

Overview

A step-by-step system for building defensible cost-benefit and NPV business cases -- baseline, cost/benefit stacks, discounting, and sensitivity analysis -- with templates included.

What discount rate should I use if Finance hasn't given me one?

Don't guess — a wrong discount rate invalidates every comparison you make later. As an interim proxy, use the company's most recently disclosed WACC from investor materials if public, or a hurdle rate one to two points above the cost of debt for private companies, but flag it explicitly as provisional until Finance confirms it.

How do I handle sunk costs in the baseline?

Exclude them entirely from the decision math — sunk costs are the same in every scenario, including do-nothing, so including them just adds noise without changing the ranking of options. If stakeholders keep raising them, address it directly in the executive summary rather than in the model.

Should soft benefits be included in the NPV at all?

Only if you can attach a defensible, if conservative, dollar estimate and a confidence rating — otherwise list them separately as strategic rationale alongside the NPV, not inside it. A business case that needs soft benefits to clear its hurdle rate should be labeled as such, not smoothed over.

What's a reasonable time horizon for a business case?

Match it to the asset's useful life or the strategic planning cycle, whichever is shorter — most operational initiatives use 3-5 years, while infrastructure or capex-heavy projects may justify 7-10. Longer horizons should always carry a wider sensitivity band, since forecast error compounds with time.

How often should we revisit an approved business case?

At minimum once, 6-12 months after go-live, comparing actuals against the original model line by line. High-value or high-risk initiatives warrant a quarterly check against the Benefits Realization Tracker until the payback period has elapsed.

{ "@context": "https://schema.org", "@type": "FAQPage", "mainEntity": [{ "@type": "Question", "name": "What discount rate should I use if Finance hasn't given me one?", "acceptedAnswer": { "@type": "Answer", "text": "Don't guess — a wrong discount rate invalidates every comparison you make later. As an interim proxy, use the company's most recently disclosed WACC from investor materials if public, or a hurdle rate one to two points above the cost of debt for private companies, but flag it explicitly as provisional until Finance confirms it." } }, { "@type": "Question", "name": "How do I handle sunk costs in the baseline?", "acceptedAnswer": { "@type": "Answer", "text": "Exclude them entirely from the decision math — sunk costs are the same in every scenario, including do-nothing, so including them just adds noise without changing the ranking of options. If stakeholders keep raising them, address it directly in the executive summary rather than in the model." } }, { "@type": "Question", "name": "Should soft benefits be included in the NPV at all?", "acceptedAnswer": { "@type": "Answer", "text": "Only if you can attach a defensible, if conservative, dollar estimate and a confidence rating — otherwise list them separately as strategic rationale alongside the NPV, not inside it. A business case that needs soft benefits to clear its hurdle rate should be labeled as such, not smoothed over." } }, { "@type": "Question", "name": "What's a reasonable time horizon for a business case?",

"acceptedAnswer": { "@type": "Answer", "text": "Match it to the asset's useful life or the strategic planning cycle, whichever is shorter — most operational initiatives use 3-5 years, while infrastructure or capex-heavy projects may justify 7-10. Longer horizons should always carry a wider sensitivity band, since forecast error compounds with time." } }, { "@type": "Question", "name": "How often should we revisit an approved business case?", "acceptedAnswer": { "@type": "Answer", "text": "At minimum once, 6-12 months after go-live, comparing actuals against the original model line by line. High-value or high-risk initiatives warrant a quarterly check against the Benefits Realization Tracker until the payback period has elapsed." } }] }

Subscriber access

Unlock this playbook

This playbook — including every framework, template, and step-by-step section — is available free to Think Insights subscribers. Enter your email to unlock it instantly and get our weekly insights newsletter. No account needed, and access is remembered on this device.

First Name

Last Name

Email

Country - Select -

- [ ] I agree to data processing in accordance with GDPR

Submit

Leave this field blank

References

Related playbooks

Consulting

Trusted Advisor Storytelling & Thought Leadership Playbook

A framework for using genuine storytelling technique — specific narrative structure, concrete detail, and clear stakes — to make trusted advisor insight memorab

- Practitioner

- Intermediate
- Template Included

Read playbook

Consulting

Trusted Advisor Metrics & Self-Development Playbook

A framework for consultants to track their own trusted advisor development deliberately — structured feedback gathering, honest self-reflection, and targeted co

- Practitioner
- Intermediate
- Template Included

Read playbook

Consulting

Becoming a Trusted Advisor to Internal Stakeholders (In-House Consultant) Playbook

A framework for internal consultants, strategy teams, and in-house advisors to build genuine trusted advisor status with internal stakeholders — adapting extern

- Practitioner
- Intermediate
- Template Included

Read playbook

Talk to our consulting team

Author

Mithun A. Sridharan Thought Leader

I'm Mithun A. Sridharan, Founder of this website - Think Insights - on Strategy, Management Consulting, Leadership, Digital Transformation, and Data Literacy. Follow me on social media or connect with me on LinkedIn for updates.