

Joanna Wirkus
March 6th 2014

Equipment Capital Budget

Dear Director,

It is imperative that our department make an informed decision when purchasing our next convection oven. The current oven no longer produces a high quality product. We cannot afford to continue making food that is partially uncooked on one end and nearly burnt on the other end. This has led our company to incur unnecessary losses related to food waste. We are throwing money down the drain! Purchasing the most economically sound convection oven will allow us to

1. Best high quality food to our customers
2. Lower utility bills
3. Stop losing money by wasting food

This report compares the initial cost, production efficiency, production capacity, and lifetime cost terms of energy cost, maintenance cost and total cost. This report examines purchasing either the Electric Moffat E32MS or the Gas Moffat G32D4, both full size convection ovens. These are compared to gas and electric energy efficient and base efficiency ovens.

Initial Cost

The following ovens are listed from most expensive initial cost to least expensive initial cost.

1. Energy Star Gas Oven **\$6069**
2. Energy Star Electric Oven **\$5121**
3. Gas Moffat G32D5 **\$4770**
4. Electric Moffat E32MS **\$3049**
5. Base Efficiency Gas Oven **\$3042**
6. Base Efficiency Electric Oven **\$2160**

While the initial purchasing investment made to obtain new oven is important, the lifetime operating cost of the equipment is a better picture of total cost including future repair and utility bills.

Performance - Efficiency

The following ovens are listed from most efficient to least efficient

1. Electric Moffat E32MS **82%**
2. Energy Star Electric Oven **73%**
3. Base Efficiency Electric Oven **65%**
4. Gas Moffat G32D5 **49%**
5. Energy Star Gas Oven **45%**
6. Base Efficiency Gas Oven **30%**

Electric ovens rank much higher than gas ovens when considering heavy-load energy efficiency.

Performance - Production capacity

The performance is listed from highest capacity to lowest capacity.

1. Energy Star Gas Oven **83 lbs/hr**
2. Energy Star Electric Oven **82 lbs/hr**
3. Electric Moffat E32MS **77 lbs/hr**
4. Base Efficiency Gas Oven **70 lbs/hr**
5. Base Efficiency Electric Oven **70 lbs/hr**
6. Gas Moffat G32D5 **61 lbs/hr**

Currently, our production capacity is stable. If it were increasing it would be important to make a purchase to accommodate growth.

Lifetime Cost - Energy

Ranked from highest to lowest

1. Base Efficiency Electric Oven **\$19020**
2. Energy Star Electric Oven **\$14676**
3. Base Efficiency Gas Oven **\$12624**
4. Electric Moffat E32MS **\$9996**
5. Energy Star Gas Oven **\$8340**
6. Gas Moffat G32D5 **\$7812**

Utility bills are an uncontrollable cost. The Gas Moffat Oven ranks the lowest on energy bills which aligns with our goals to keep costs low.

Lifetime Cost - Maintenance

Highest to lowest

1. Base Efficiency Gas Oven **\$1800**
2. Gas Moffat G32D5 **\$1440**
3. Base Efficiency Electric Oven **\$1440**
4. Electric Moffat E32MS **\$1260**
5. Energy Star Gas Oven **\$1164**
6. Energy Star Electric Oven **\$1056**

Maintenance costs are controllable costs. The lowest ranking oven in terms of cost are the Energy Star models.

Lifetime Cost - Total

Highest to lowest

1. Base Efficiency Electric Oven **\$22620**
2. Energy Star Electric Oven **\$20853**
3. Base Efficiency Gas Oven **\$17466**

4. Energy Star Gas Oven **\$15573**

5. Electric Moffat E32MS **\$14746**

6. Gas Moffat G32D5 **\$14022**

Lifetime cost should be the single most important factor when purchasing a new item. This takes into account the effect the equipment will have on uncontrollable utility bills and controllable maintenance costs. All considered, The Gas Moffat is the most cost effective choice.

Gas Vs. Electric

Gas ovens tend to have higher initial costs while electric ovens tend to have lower initial costs. However, electric ovens are more expensive to operate, especially in California, where natural gas is relatively cheap especially when compared to electricity.

Decision and Summary

Our highest priority is to keep costs low. The **Gas Moffat G32D5** is the best choice to align with our current goals. This oven has higher initial costs and higher maintenance cost than other models. However, the savings incurred from lower energy cost are more than compensatory. It is so important to consider the lifetime cost of an appliance when deciding to make a purchase. Choosing the **Gas Moffat G32D5** over other models will save our company over **\$8,000** dollars over the lifetime of the appliance. Making fiscally informed decisions will allow our business to control costs and pass these savings on to our customers. If a huge influx of growth was expected in our business, then a greater capacity oven may be a safer decision. However, our small business has a steady and regular clientele and has maintained our production at a constant rate for many years. Our growth has been through other avenues like diverse beverage choices. The purchase of this oven will help save money in two ways. First, we can stop wasting money and throwing out burnt and uncooked food from our current oven. Second, our utility bill will be lower. With all these factors considered, I hope you'll agree with me that the **Gas Moffat G32D5** is the best choice for the financial success of our company.

Thank you for reading. I hope we can make this fiscally informed decision soon and continue to provide a high level of quality and service to our customers at low prices.

Best,

Joanna Wirkus