Evaluating an equipment purchase

Here’s what you need to consider when you’re thinking about offering clients a new service.

### Non-financial factors
- What kinds of cases will benefit?
- Are all the doctors in the practice committed?
- How will the doctors be trained?
- Will additional support staff be needed?
- How will you educate clients about the benefits of the new service?
- Are there timing issues to consider in the acquisition?

### Costs of equipment purchase
- Sticker price
- Training
- Additional staff
- Supplies
- Maintenance
- Upgrades
- Interest costs if financed

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**Example**

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ultrasound machine</td>
<td>$30,000</td>
</tr>
<tr>
<td>Fee per exam</td>
<td>$80</td>
</tr>
<tr>
<td>Number of exams a week</td>
<td>5</td>
</tr>
<tr>
<td>Number of exams a year</td>
<td>260</td>
</tr>
<tr>
<td>Cost per view</td>
<td>$32</td>
</tr>
</tbody>
</table>

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**Revenue**

Number of expected cases × Fee charged for service = Revenue

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**Payback period**

Payback period = Total purchase price ÷ Annual net income (Revenue — Operating costs)

**Example**

$30,000 ÷ ($80 — $32) × 260 = 2.4 years

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**Break-even point**

Number of exams that must be done to break even = Total purchase price ÷ profit per exam

Revenue = Fixed costs + Variable costs

**Example**

Profit per exam = $80 — $32 = $48

$30,000 ÷ $48 = 625 ultrasounds must be performed to break even.