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An American National Standard

Standard Practice for Measuring Net Benefits and Net Savings for Investments in Buildings and Building Systems¹

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^{€1} NOTE — Footnote 5 of this standard was editorially corrected in September 1998.

INTRODUCTION

The net benefits (NB) and net savings (NS) method is are part of a family of economic evaluation methods that provide measures of economic performance of an investment over some period of time. Included in this family of evaluation methods are life-cycle cost analysis, benefit-to-cost and savings-to-investment ratios, internal rates of return, and payback analysis.

The NB method, sometimes called the net present value method, method calculates the difference between discounted benefits (or savings) and discounted costs as a measure of the cost effectiveness of a project. The NB NS method calculates the difference between life-cycle costs as a measure of the cost-effectiveness of a project. The NB and NS methods are sometimes called the net present value method. The NB and NS methods are used to decide if a project is cost effective (net benefits greater than zero), or net savings greater than zero), or which size, or design, competing for a given purpose is most cost effective (the one with the greatest net benefits, or the one with the greatest net savings).

1. Scope

1.1 This practice provides a recommended procedure for calculating and interpreting the NB (NS) method in the evaluation of building designs and systems.

¹ This practice is under the jurisdiction of ASTM Committee E-6 E06 on Performance of Buildings and is the direct responsibility of Subcommittee E06.81 on Building Economics.

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