**Discussion: Time Value of Money**

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**Discussion Forum**

Hello My Fellow Peers,

In my MBA education, I was a self-sponsored students meaning I was paying for this program out of my pocket. The cost of MBA program included tuition fees, normal MBA fees, books, transportation costs and living expenses. The cost of the MBA Program is computed below;

|  |
| --- |
|  **Total Cost of MBA Program (4 Year Course) (In $) Amount** |
|  **MBA Program Expenses (Costs):**Annual MBA Fees ($2000 \* 4Years)Annual Tuition Fees ($1500 \* 4 Years)Learning Materials (Books, Pens, Textbooks) Transportation CostsLiving Expenses | $8,000$6,000$800$10,000$2,500 |
| **Total MBA Program Costs**  | **$27,300** |

Once the total cost has been computed, there will be need to consider how long it will take to earn back the money invested in the MBA program. This might involve looking at the salary expectation that I will make after graduation, then subtracting the cost of the MBA as computed above. I will first determine the (NPV) in this case (Weber, 2021). In this case, I intend to make 12% more annually in my employment salary after MBA program. I plan to work for 5 years before I change my MBA job. I will be earning $10,000 annual salary for 5 years. The company tend not to increase or reduce the salary expectations.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Initial Investment Cost**($27,300)** | $10,000 | $10,000 | $10,000 | $10,000 | $10,000 |
| **PV(IF) (12%) = 1/(1+r)n** | 0.8929 | 0.7972 | 0.7118 | 0.6355 | 0.5674 |
| Present Value Earned (PV) | 8,929 | 7,972 | 7,118 | 6,355 | 5,674 |
| Total Present Value Earned (TPV) |  **$36,048** |

Net Present Value (NPV) = Total Present Value – Initial Investment Cost

 = $36,048 - $27,300

 NPV **= $8,748**

Based on the NPV approach, it appears that pursuing an MBA is a financially sound investment (Weber, 2021). After taking into account the cost of tuition, fees, books, transportation, and living expenses, the total cost of the MBA program is **$27,300**. After subtracting this from the expected salary increase of $**10,000** annually for 5 years, the net present value (NPV) comes to **$8,748**. This implies that the investment in an MBA program is worth the financial cost, as it will generate a positive return in the long run.

**References**

Weber, R. (2021). Embedding futurity in urban governance: Redevelopment schemes and the time value of money. *Environment and Planning A: Economy and Space*, *53*(3), 503-524.