Explain the concept of time, value of money, and give some examples. explain diff...

Economics May 11, Economics Time Value of Money Time Value of Money (TVM) is a significant concept in financial management. It can be used to link investment alternatives and to solve problems involving loans, mortgages, leases, savings, and allowances. TVM is based on the notion that a dollar that you have today is worth more than the potential or expectation that you will receive a dollar in the future. Money that you hold today is worth more because you can invest it and earn interest. After all, you should receive some compensation for preceding spending. For instance, you can invest your dollar for one year at a 6% annual interest rate and accumulate $1. 06 at the end of the year. You can say that the future value of the dollar is $1. 06 given a 6% interest rate and a one-year period. It follows that the present value of the $1. 06 you expect to receive in one year is only $1. A key concept of TVM is that a single sum of money or a series of equal, evenly-spaced payments or receipts guaranteed in the future can be converted to an equivalent value today. Conversely, you can determine the value to which a single sum or a series of future payments will grow to at some future date. You can calculate the fifth value if you are given any four of: Interest Rate, Number of Periods, Payments, Present Value, and Future Value. FTEs FTEs are basically the full time equivalents and help in analyzing the work done in hours according to the number of laborers employed. Efficiency indicators for benchmarking frequently require a benchmarking health unit to provide the number of FTEs involved in a particular activity. This is not a problem where programs are specialized, i. e. where full and part time staff is assigned to specific activities. However, in many public health programs staff deliver a generalized program in which they are not assigned according to function or activity, thus it is more difficult to answer the FTE questions in the benchmarking questionnaires with any degree of accuracy. Health units have been using varying means of arriving at an estimate of FTEs, thus the reliability of indicators using FTEs is questionable We can calculate FTEs in three following ways. Firstly, if you know your total number of labor hours for one year: Divide by 2080. This is your FTEs. Example: Your department's total labor hours as reported to payroll for Jan. - Dec. 1998 were 13, 104. (Dietary Managers Association, 2011) 13, 104 ? 2080 = 6. 3 FTEs. If you know your total number of labor hours for one month: Divide by 173. 33. This is your FTEs. Example: Your department's total labor hours as reported to payroll for May 1999 were 3, 600. (Dietary Managers Association, 2011) 3, 600 ? 173. 33 = 20. 77 FTEs. Calculate the number of labor hours you require in one day. Divide by 8. This is your FTEs. Example: Your know your daily staffing uses 9 people working 8 hours, plus 1 person working 3 hours. You use some full-time and some part-time employees each day to achieve this. (Dietary Managers Association, 2011) References Dietary Managers Association, 2011, FTEs, http://www. dmaonline. org/Resources/DMAResources/calculate_FTEs. shtml Gallager, T; Andrew Jr., J., Financial Management: Principals and Practices, Upper Saddle River, NJ: Prentice Hall, 1996 Kieso, D; Weygandt, Jerry, Intermediate Accounting, 9th Ed., New York, NY: John Wiley & Sons, Inc., 1993 Time Value of money, http://www. getobjects. com/Components/Finance/TVM/concepts. html