

# Mba returns vs job returns



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The purpose of this paper is to analyze the decision of pursuing an MBA or to continue with the existing job. Will MBA would add value or my existing job returns will be more. The paper has helped us to learn the importance of capital budgeting. This paper will help us in defining the interrelations between eliminatory indicators of a proposal or an investment as well as project realization and its profitability is measured.

In this paper we have used NPV method for a situation and how it helps in taking decision of that position. For real life situation the approach of NPV can be really very beneficial. Introduction We are going to invest cash with high hopes of getting a large future returns. But would the anticipated payback be enough to cover all our initial investment given the investments of high risk? Further, will any of our alternative investment decision provide us with better financial returns? Answering to these questions is the essence of capital budgeting, and NPV (net present value) analysis which provides us gold standard answers. “ Thomas Ittelson (2009), Financial Statements Chapter 21, 2009” MBA returns Vs Job return is the comparison between my existing job and my decision of pursuing an MBA.

In order to find the end result we have taken into account the Cash inflows and outflows. I have to take an important decision of my life of pursuing MBA or to continue with my job. The decision of this can only be possible if I compare the returns which I will get after doing my MBA. I was working till 2009 but I wanted to do an MBA. Currently my salary is \$36, 000 per annum and if I join MBA after two years I am expecting to get a salary of \$60, 000 per year.

This is an increase in salary of about \$24, 000 per year. Though I will be incurring an expenditure of \$12, 000 per year for 2 years also I will be losing my two years salary i. e. \$72000.

Rate of interest is 8% p. a. Now to decide whether I should continue with my present job or should I pursue MBA I have to decide as per the cash flows.

NPV analysis discounts all future cash flows to present values. In order to take the decision I have adopted NPV method.

Literature Review In our financial world, the net present worth (NPW) or the net present value (NPV) of a time series of cash flows, both inflows and outflows, is defined as the sum of the present values or PV's of the individual cash flows. In the case when all our future cash flows are inflows (principal amount of a bond or coupons) and the only cash outflow is the purchase price, here, NPV is simply the present value of future cash flows minus the purchase price. NPV is a main tool in discounted cash flow analysis also known as (DCF), it is a standard method for using time value of money to decide on a long-term projects. Used in capital budgeting, ; widely throughout finance, economics and accounting, it determines the excess or shortfall of cash flows, in (PV) present value terms, once the financing charges are met. “ Khan, M.

Y. (1993). Theory & Problems in Financial Management. Boston: McGraw Hill Higher Education.

“ The profitability of project is observed herein from the economic flow measured by fixed prices (in order to avoid the impact of inflation within the project duration). In order to validate the adequacy of an project several

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methods can be used. Some of the methods which are most commonly used are: 1. Payback period method 2. Net present value method 3.

Internal rate of return method  
Research objective: \* To primary objective of this paper is to decide should I pursue the MBA. \* Will MBA will help me to earn more than my existing salary. What will be the return with MBA and without MBA? Hypothesis: I would take an MBA education if the NPV of cash flow is positive. If the NPV of cash flow is negative I will not pursue my MBA. Methodology: We are using the Net present value approach to analyse and make decision.

While the net present value approach is widely accepted as the right framework for cash inflows and out flows to consider an investment or to consider a project. In our case taking admission into the MBA school or not is the purpose. “ Average Costs Versus Net Present Value by E. Van der Laan, 67 -69, 1998” Net present value (NPV) is the difference between Cash flows.

In other words the difference between the cash inflows – cash outflows. Net present value analysis helps us to determine the reliability of future cash inflow. It is mainly calculated to find out the profitability of project or an investment. In our case we have found to take decision whether our decision of doing a MBA is profitable or not.

Net present value is calculated based on the below formula. We have calculated the NPV in the excel spreadsheet. (Appendix 1) Formula: We have used this formula for our calculation: Purpose Net present value helps us to compare the value of dollar in future, taking into consideration the rate of

interest. If NPV is positive or greater than 0 we take the decision of accepting that project or investment proposal.

If NPV is negative we can say that the cash flows will also be negative and we have to infuse in more money for that project.” Maximizing Net Present Value a review through literature, 95-97 by Vacharee Tantisuvanichkul and Moray Kidd, 2011 “ Importance’s of Cash flows in Management decision making “ International Good Practice Guidance, 2008”1) NPV analysis helps an organization to improve in decision making while selecting a project or an investment. 2) As it considers the future value of money considering inflation into account it gives us a true picture of our future cash requirements. 3) For financial Feasibility of a project should always go for Discounted Cash Flow (DCF) analysis.

4) NPV helps in comparing costs and benefits during different time periods5) As NPV utilizes DCF to frame its decisions, we only take the positives values as it adds value. Case AnalysisWe have calculated the returns for doing MBA and if I continue with the current job. As the retirement age is 62 years and my current age is 25 years I have calculated the NPV for 37 years, and the difference of Inflows with MBA and without MBA is \$167, 937. 62 which is positive so doing a MBA will be a wise decision.

LimitationIn our case we have not taken into consideration the hike in salary. If in the two year there is an increase in my salary that could have made a difference in the result of NPV. However the NPV will come positive so the decision of doing a MBA is a wise decision. ConclusionInvestments, has a

very complex scientific & professional field; still there are a subject to a number of studies.

These results are a contribution to both profession and science. Managing investments is also a very complex process. It generally includes financing, investment planning, preparing of documentation and many other activities (Maric, 2008; Koop, 2005). Among others, dynamic parameters of investment profitability involved in this study are just some of indicators used to plan out decision or manage investments (Heley and Jutkenhorst, 1989; Langdon, 2002; Maginn et al., 2007; Sengar and Kothari, 2008; Kleczyk, 2008).

This study contains general information on investment profitability parameters. With this paper we have been able to analyze how important is cash flow statement in our life. Cash flow statement not only helps us in taking correct decision but it also gives us indication of our future cash requirements. In our case the returns after doing MBA is more so we have taken the decision of doing an MBA.