

Perform a Net Present Value Analysis for a Project

Learning outcome: Student is able to apply NPV analysis to project decisions.

Assume a student is planning to pursue a two year master's degree in project management.

There are two educational choices the student is considering, with investment and cash flows as follows:

Choice A: Full-Time Education:

Example cash investment: \$100,000. Currently the student is earning \$30,000. Upon graduation the student hopes to earn \$60,000 per year in new job. Student will quit the current job.

Choice B: Part-Time Education:

Currently the student is earning \$30,000. The student can work part-time for three years at a salary of \$20,000 while studying towards the master's degree in project management. Upon graduation the student anticipates a possible increase in salary by \$10,000 (total \$40,000) in the same company.

Calculate the NPV for each educational option and decide which option the student should invest in. The discount rate is 8%. Explain why Choice A or Choice B was recommended; make assumptions as needed.