Critical Thinking Assignment: Making a Choice

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**Critical Thinking Assignment: Making a Choice**

For this task, I am evaluating three distinct projects: the construction of a MAN network for the city, the setup of computers and networks for the county, and a housing project. Based on payback periods, costs, and potential risks, I will recommend the project that offers the best balance of return on investment and strategic benefits.

**Project 1: MAN Network for the City**

This project requires a $10 million investment, with projected monthly dues of $500,000 in year one and $750,000 in year two. It has legislative backing, ensuring demand.

* Pros:
  + High revenue potential with increasing returns.
  + Guaranteed demand due to city legislation.
  + Payback within two years, making it a faster-returning investment.
* Cons:
  + Significant initial investment.
  + Delays in setup could extend the payback period.
* Payback Period:
  + Year 1: $500,000/month = $6 million total.
  + Year 2: $750,000/month = $9 million total.
  + Total: Payback occurs by the end of year two.

**Project 2: Computers and Networks for the County**

This project has a $1 million initial investment and $50,000 monthly running costs. It focuses on cost reduction rather than direct revenue generation.

* Pros:
  + Smallest investment requirement.
  + Improves efficiency for the country, which could reduce long-term costs.
* Cons:
  + No direct revenue generation.
  + Monthly post-deployment costs could erode savings.
* Payback Period:
  + Since this project doesn’t generate revenue, payback is indirect, with savings accumulating over time but no immediate return on investment.

**Project 3: Housing Project**

The housing project requires a $10 million investment and generates $70,000/month after two years, through a 110-unit apartment complex.

* Pros:
  + Provides steady rental income post-construction.
  + Long-term value through real estate.
* Cons:
  + Requires borrowing at a 10% interest rate, increasing costs.
  + Long payback period due to delayed revenue generation.
* Payback Period:
  + After 2 years: $70,000/month = $840,000/year.
  + It will take more than 10 years to repay the $10 million, especially with the added interest from borrowing.

**Recommendation**

The MAN Network project is the most viable option due to its relatively short payback period of two years and its substantial long-term revenue. The stable and increasing monthly dues ensure a consistent return. In contrast, the housing project’s extended payback period and need for borrowed funds present significant risks, and the computer project does not offer direct financial returns. Therefore, the MAN network provides the best balance of cost, risk, and return.

**Conclusion**

In conclusion, the MAN network project is the optimal choice, with its short payback period and reliable revenue stream. Although it requires a significant initial investment, the project’s profitability ensures long-term financial success.

**References**

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