**MIS 311 Win21 Week7 Chapter 11 Assignment**

**Q1:** Define the following terms. Make sure you capture the main ideas of the text for each.

1. Blended labor cost per hour: is an hourly labor cost of a group of employees who work the same amount. This is calculated by finding the average cost of employees and then weighting that against the amount of time worked for each of the employees.

b. Cost/benefit analysis: is used to find the strengths of a decision based on the estimated outcomes that it has along with potential alternative decisions.

c. Cost/benefit analysis grid: is similar to cost/benefit analysis but instead it uses ROI analysis to compare the costs and benefits of a project on a yearly basis.

d. Monetization: is taking company or business assets and converting them into economic value, such as money or other goods that have value.

e. Time value of money: is the concept that your current capital is worth more because the money has a defined potential earning capacity.

**Q2:** In some detail, explain.

1. what it means to monetize a systems capability?

This means that you are taking the systems capability which is what the current system can accomplish and assign a monetary value to both the system and what assets it could create in the future. For example, a server farm has a certain monetary value based on it hardware and what services can be provided from it.

1. what is the implication if it proves difficult to monetize such a systems capability?

This could mean that there is no assets coming from the system at this current moment or that the value of the system is too disconnected from what assets are being produced. It could also mean that there is a gap in knowledge between the engineers and the managers of the business.

**Q3:** In some detail, explain:

1. The meaning of the time value of money

Is the concept that your current capital is worth more because the money has a defined potential earning capacity. This idea is amplified by investors who prefer to receive money today rather than the same amount of money in the future because of money's potential to grow in value over time. For example, money deposited into a savings account earns interest and is therefore compounding in value.

This formula is as follows ( **FV = PV x [ 1 + (i / n) ] (n x t)** ) where FV is future value of money, PV is present value of money, i is interest rate, n is number of compounding periods per year, and t is number of years.

1. How the time value of money is adjusted using a discount rate

The rate used to adjust the future payment is called the discount rate. This adjusts the value of a payment that will be received at a point in future to convert it to the current value. This allows you to find the value of money that you would need today in order to have a future value at a future date. Enabling you to plan for how much income a business needs to bring in.

1. The meaning of weighted average cost of capital and its relationship to the discount rate for NPV analysis

The weighted average cost of capital is a calculation of a firm's cost of capital where each category of capital is weighted and translated into its final cost of raising money. This average cost of capital is the discount rate that is used in the NPV analysis. NPV is the analysis that allows you to see the differences between current cash inflows and outflows over a period of time. This is often used to see the potential of a project in the future by looking at the potential earnings that it has over time.