

Valuation of MBA

MGT 239 Simulation

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Introduction:

Why do we choose a MBA degree?

Improve knowledge and ability

Greater Job Opportunity

Potentially higher salary

How we evaluate a MBA degree?



Factors that influence future salary:

Pre-existing salary

Work Experience

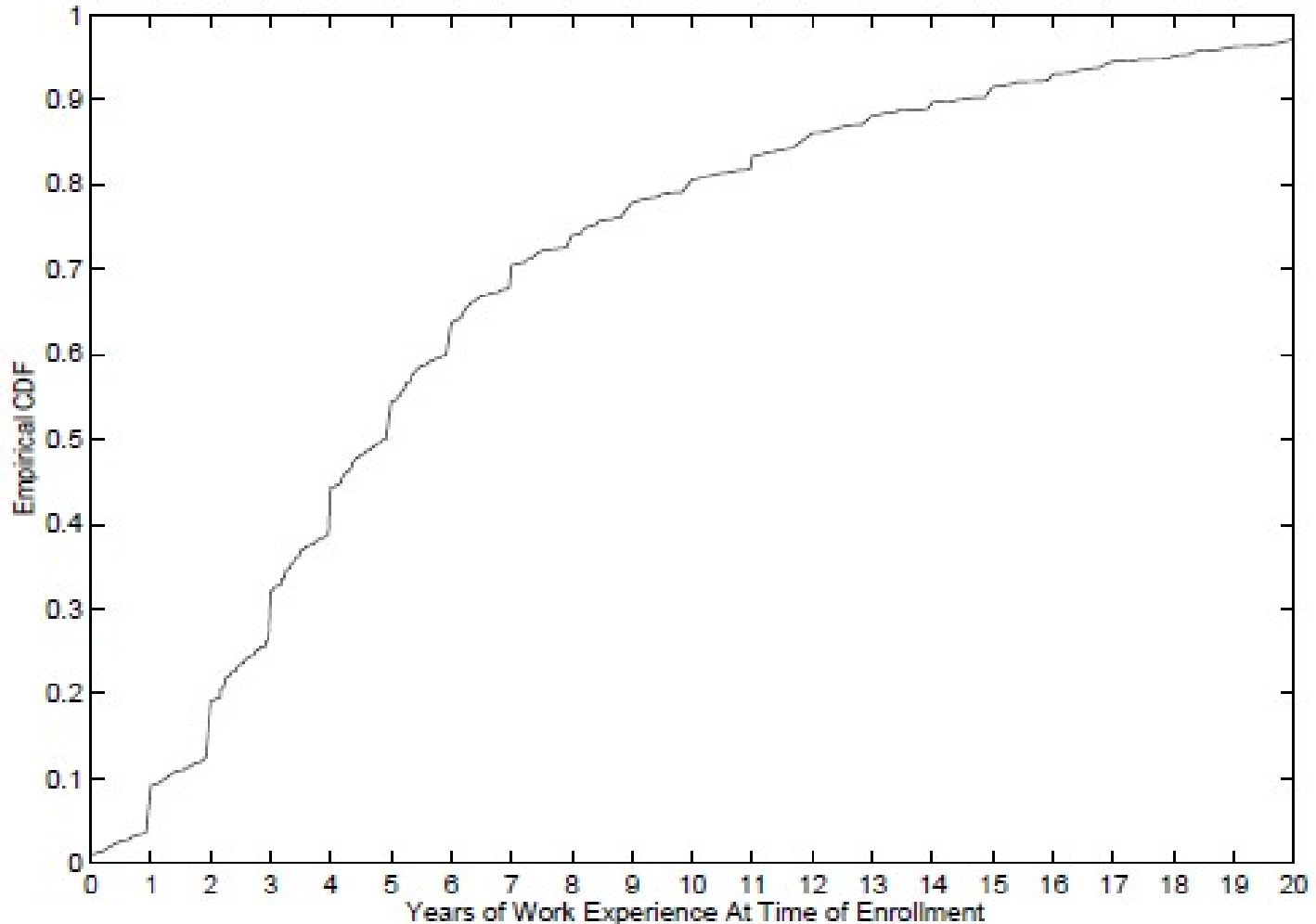
Employer and company preference

Length of working hour

etc

Work Experience Before MBA

Figure 1: Empirical CDF of Years of Work Experience Before Enrolling in an MBA Program



Main assumptions:

Only 1 Income source- salary

Able to get a job immediately after graduation

Fixed Interest rate

Work in the same job until retirement

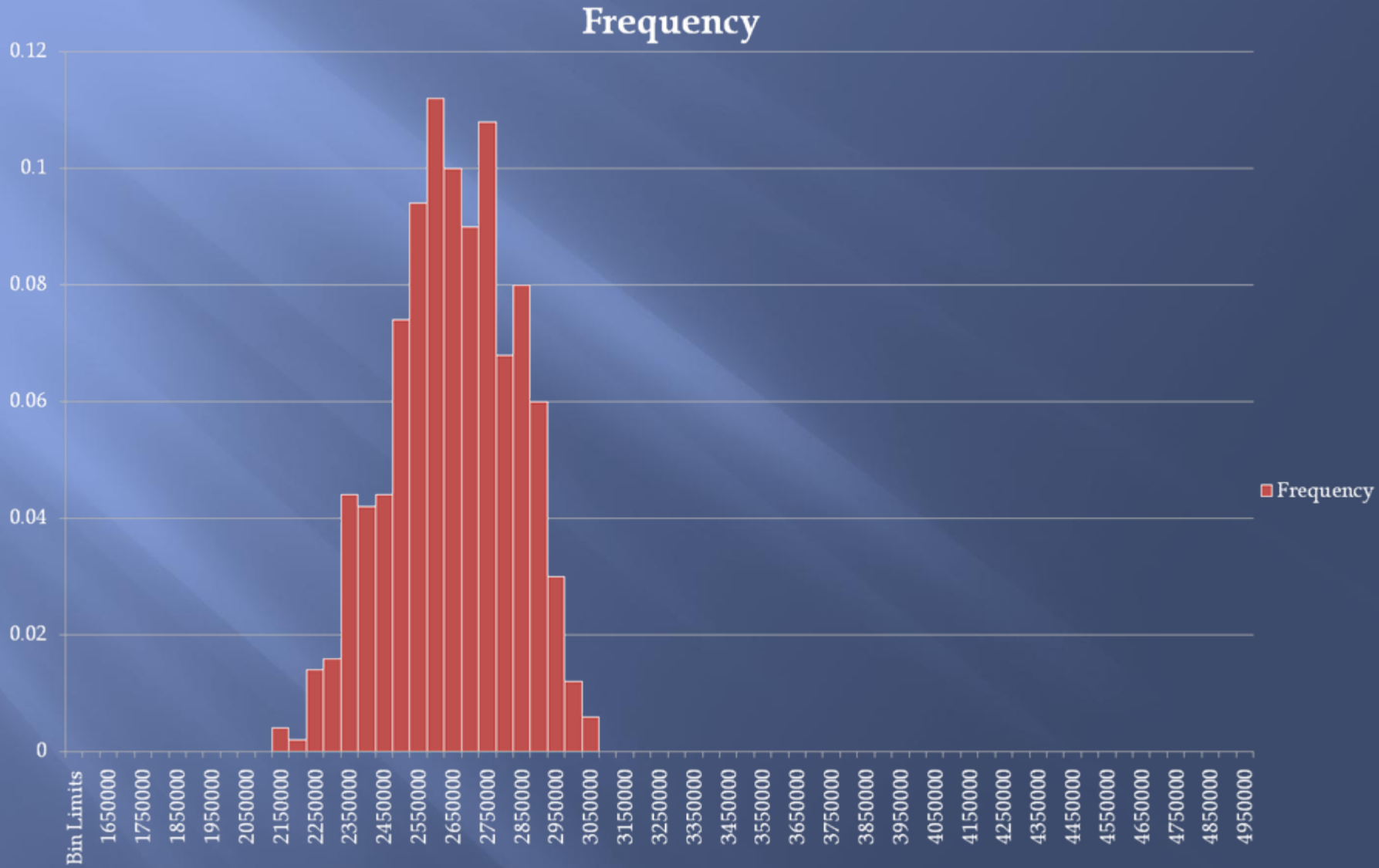
Main constraints

Maximum 55 years of income

Only simulate income from the year of admission

Only allow maximum of 10 year education

Histogram without MBA degree



Conclusion

Mean=2,676,898

STDEV=196,698.7

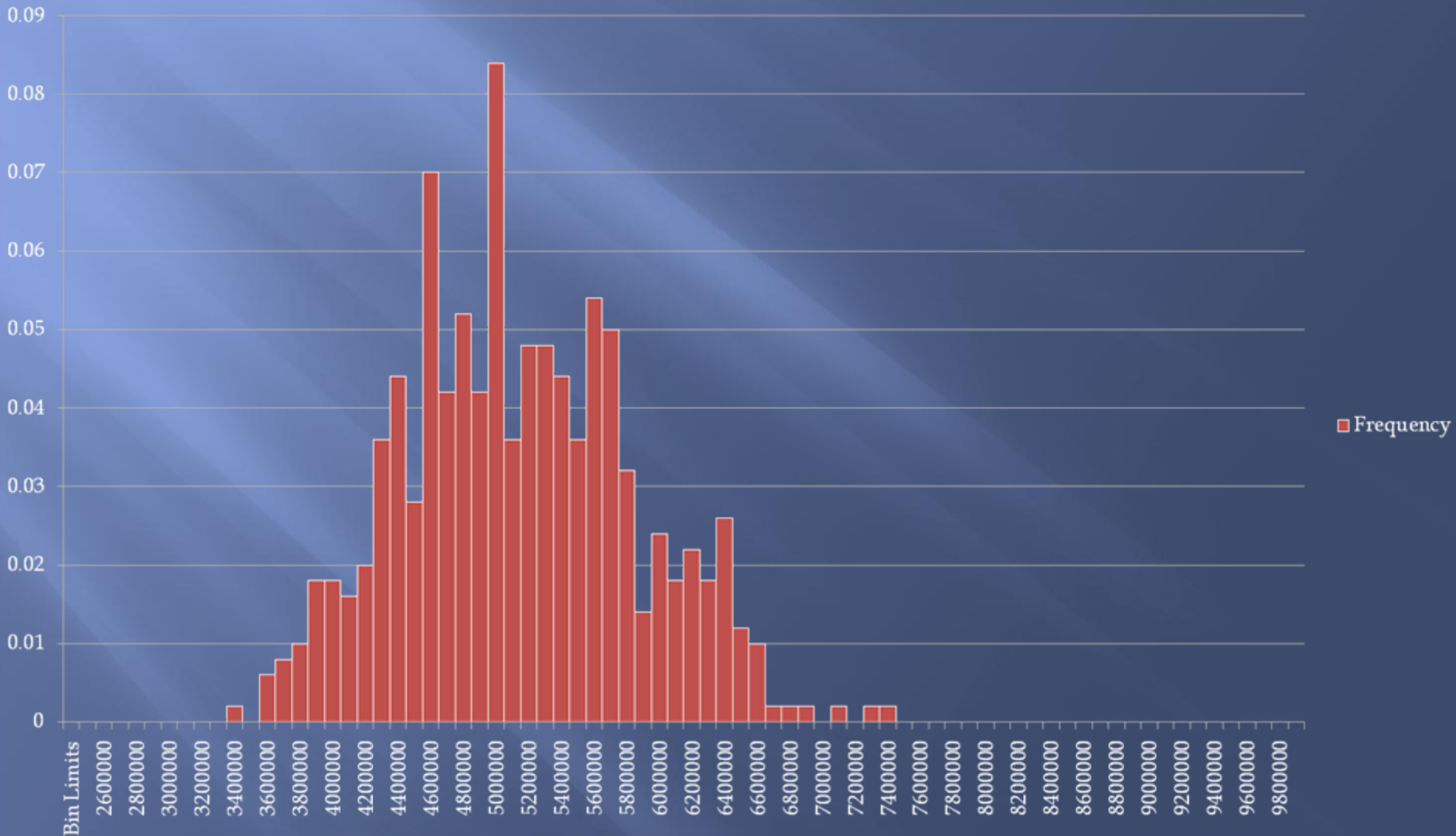
STDEr=15,751.28

LCI=2,661,147

UCI=2,692,650

Histogram with MBA degree

Frequency



Conclusion

Mean=5,234,839

STDEV=665,589

STDEr=58341.48

LCI=5,175,502

UCI=5,247,011

Conclusion

It does not matter how reliable of the model is, do not rely sole on a simulation model.

The is absolutely no way to predict future income

No one can simulate future

The future is in your hand