



## 1 COURSE OUTLINE

Course: Fundamental Investment Appraisal Techniques for Business Professionals

Contact Hours: 15 Contact Hours

Pre-requisite: Introductory knowledge of accounting

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### 1.1 Abstract

This Investment Appraisal series of sessions facilitates the selection process when faced with a number of projects and budget constraints. Participants are exposed to four appraisal methods together with the mix of profits and relevant cash flows to be used depending on the method selected. Risk and Uncertainty affecting projects will also be considered, whilst offering six techniques for managing them.

### 1.2 Learning Outcomes

- Differentiate between Capital expenditure and Revenue expenditure
- Formulate the Investment Decision-Making Process
- Identify and calculate Relevant cash flows for investment projects
- Explore and appraise four Investment Appraisal methods
- Discern between Risk and Uncertainty
- Review six techniques for dealing with Risk and Uncertainty

### 1.3 Topics Covered

#### Session 1- Tools for Investment Appraisal

- Capital versus Revenue expenditure
- Investment Decision-Making process
- Relevant Cash Flows for Investment appraisal
- Exercise- Identify the cash flows to be used



### **Session 2- Investment Appraisal Methods**

- Calculation of Method #1 Payback
- Calculation of Method #2 ROCE
- Critique of both methods
- Exercise-Which project should be chosen?

### **Session 3- Investment Appraisal Methods (continued)**

- Discounting and Compounding techniques
- Role of a Perpetuity
- Calculation of Method #3- NPV

### **Session 4- Investment Appraisal Methods (continued)**

- Calculation of Method #4- IRR
- Critique of both methods
- Introduction of tax and inflation into NPV

### **Session 5- Cumulative Knowledge**

- Use of all 4 methods to appraise a single project
- Exercise- Select the project based on 4 Investment Appraisal Methods

### **Session 6- Risk and Uncertainty**

- Risk versus Uncertainty
- 6 techniques for managing Risk and Uncertainty
- Recap and Quiz