

Capital Budgeting Tools Topics

This is a general guideline and should be viewed as such. Anything covered in class can be tested.

1. Capital Budgeting
2. Decision criteria
3. NPV, Payback Period, and IRR
 - (a) How to calculate
 - (b) Decision rule
 - (c) Rationale i.e. What is it measuring?
 - (d) Does it meet decision criteria? Advantages vs disadvantages
4. NPV profile
5. NPV vs IRR
 - (a) Non-conventional cash flows
 - (b) Mutually exclusive projects
 - (c) Cross over rate i.e. differential cash flows
6. Capital budgeting in practice