



University of Management and Technology

School of Business and Economics

Course Title: Capital Budgeting & LTID
Course Code: FN-679
Resource Person: Abdul Rafay
Department: Finance

SBE Vision

SBE envisions its success in the sustainable contribution that it will make to the industry, academia and research in public and private sector. SBE will lead by providing professionally competent and ethically conscious human resources engaged in the global and local context to foster socio-economic growth and sustainability for the society. SBE envisages having faculty with high research potential and a deep desire for cutting edge research including collaboration with national and international partners.

SBE Mission

Being a research-oriented and student-centric business school, we emphasize research publications in impact journals as well as state-of -the-art learning methodologies. We will prepare our students to become the future ethical business leaders and the guiding post for the society, while equipping them with the knowledge and skills required by world-class professionals. We will be the leading choice for organizations seeking highly talented human resource. SBE will foster internationalization with key stakeholders and actively work to exchange best practices with business schools across Pakistan through collaborations, workshops, conferences and other means.

Course Objectives

The goal of teaching this subject is to provide a good understanding of financial decision making process by looking into multiple opportunities in Long term projects. From time to time, the managers of all businesses often find themselves facing capital investment decisions. In this course, we shall cover the investment & decision making process by looking the principles & application of appraising the projects.

Learning Objectives

- ⇒ To understand the key motives of capital expenditures and the steps in capital budgeting process
- ⇒ To discuss the basic capital budgeting terminologies
- ⇒ To understand the role of capital budgeting techniques in capital budgeting process

- ⇒ To understand the importance of recognizing risk in the analysis of capital budgeting projects
- ⇒ To understand the unique risks associated with international capital budgeting

Learning Outcomes

Ability to understand

- ⇒ the purpose of Capital Budgeting Decisions
- ⇒ the purpose of Net Present Value, IRR and other CB Techniques
- ⇒ Sensitivity analysis
- ⇒ The structure of Capital rationing Process

Teaching Methodology

Class discussions from prescribed readings,

Problem Solving

Applications of concepts using case study analysis wherever required

STUDENTS ARE REQUIRED TO READ AND UNDERSTAND ALL ITEMS OUTLINED IN THE PARTICIPANT HANDBOOK

Class Policy:-

- **Be On Time**
You need to be at class at the assigned time. After 10 minutes past the assigned time, you will be marked absent.
- **Mobile Policy**
TURN OFF YOUR MOBILE PHONE! It is unprofessional to be texting or otherwise.
- **Email Policy**
READ YOUR EMAILS! You are responsible if you miss a deadline because you did not read your email. Participants should regularly check their university emails accounts regularly and respond accordingly.
- **Class Attendance Policy**
A minimum of 80% attendance is required for a participant to be eligible to sit in the final examination. Being sick and going to weddings are absences and will not be counted as present. You have the opportunity to use 6 absences out of 30 classes. Participants with less than 80% of attendance in a course will be given grade 'F' (Fail) and will not be allowed to take end term exams. International students who will be leaving for visa during semester should not use any days off except for visa trip. Otherwise they could reach short attendance.
- **Withdraw Policy**
Students may withdraw from a course till the end of the 12th week of the semester. Consequently, grade W will be awarded to the student which shall have no impact on the calculation of the GPA of the student. A Student withdrawing after the 12th week shall be automatically awarded "F" grade which shall count in the GPA.

- ### Harassment Policy

Sexual or any other harassment is prohibited and is constituted as punishable offence. Sexual or any other harassment of any participant will not be tolerated. All actions categorized as sexual or any other harassment when done physically or verbally would also be considered as sexual harassment when done using electronic media such as computers, mobiles, internet, emails etc.
- ### Use of Unfair Means/Honesty Policy

Any participant found using unfair means or assisting another participant during a class test/quiz, assignments or examination would be liable to disciplinary action.
- ### Plagiarism Policy

All students are required to attach a “Turnitin” report on every assignment, big or small. Any student who attempts to bypass “Turnitin” will receive “F” grade which will count towards the CGPA. The participants submit the plagiarism report to the resource person with every assignment, report, project, thesis etc. If student attempts to cheat “Turnitin”, he/she will receive a second “F” that will count towards the CGPA. There are special rules on plagiarism for final reports etc. all outlined in your handbook.
- ### Communication of Results

The results of quizzes, midterms and assignments are communicated to the participants during the semester and answer books are returned to them. It is the responsibility of the course instructor to keep the participants informed about his/her progress during the semester. The course instructor will inform a participant at least one week before the final examination related to his or her performance in the course.

Course Outline

Course Code: FN-679

Course title: Capital Budgeting & Long term Investment Decisions

Program	MBA
Credit Hours	3
Duration	4 months
Prerequisites (If any)	None
Resource Person Name and Email	Abdul Rafay abdul.rafaq@umt.edu.pk
Counseling Timing	8:00 -10:00 am
Contact no.	042-5212801-10
Web Links:- (Face book, Linked In, Google Groups, Other platforms)	NA

Grade Evaluation Criteria

Following is the criteria for the distribution of marks to evaluate final grade in a semester.

Marks Evaluation

Marks in percentage

Quizzes/Assignments/Project (if any)	20%
Mid Term	30%
Attendance & Class Participation	05%
Final exam	45%
Total	100%

Recommended Text Books:

- ⇒ Capital Budgeting and Investment Analysis
Alan C. Shapiro
Mc-Graw Hill, Inc., USA
Latest Edition Available

Reference Books:

- ⇒ Strategic Capital Budgeting
Hazel J. Johnson;
Probus Publishing Company, Chicago, Illinois
Latest Edition Available

No	Topics to be covered in the course	Learning Objective of this topic	Expected Outcomes from Students	Teaching Method	Assessment Criteria	Deadlines and Homework
1	Fundamental Concepts of Finance	To understand the basic concepts of ⇒ Compounding & Discounting ⇒ Present Value, Future Value, Terminal Value	To be able to analyze, understand and explain satisfactorily the topics covered in learning objectives.	Prescribed readings, class discussions and applications of concepts using numerical problems and local & International case studies wherever required	Class Assignments, Class Participation, Quiz	To be announced in class
2	Basic concepts of Capital Budgeting	To understand the basic concepts of ⇒ Annuity & Perpetuity ⇒ Weighted Average Cost of Capital (WACC)	To be able to analyze, understand and explain satisfactorily the topics covered in learning objectives.	Prescribed readings, class discussions and applications of concepts using numerical problems and local & International case studies wherever required	Class Assignments, Class Participation, Quiz	To be announced in class
3	Cash Flows in Capital Budgeting	To understand the basic concepts of ⇒ Concept of Incremental Cash Flows ⇒ Even & Uneven Cash Flows ⇒ Conventional & Unconventional Cash Flows ⇒ Relevant Cash Flows ⇒ Computation of Initial & Terminal Cash Flows ⇒ Differential Cash Flow Method	To be able to analyze, understand and explain satisfactorily the topics covered in learning objectives.	Prescribed readings, class discussions and applications of concepts using numerical problems and local & International case studies wherever required	Class Assignments, Class Participation, Quiz	To be announced in class
4	Basic Decision Rules for Capital Budgeting	To understand the basic concepts of ⇒ Accounting Rate of Return (ARR) ⇒ Payback Period ⇒ Net Present Value (NPV)	To be able to analyze, understand and explain satisfactorily the topics covered in learning objectives.	Prescribed readings, class discussions and applications of concepts using numerical problems and local & International case studies wherever required	Class Assignments, Class Participation, Quiz	To be announced in class
5	Basic Decision Rules for Capital Budgeting	To understand the basic concepts of ⇒ Internal rate of Return (IRR) ⇒ Profitability Index (PI) ⇒ Discounted Pay Back Period	To be able to analyze, understand and explain satisfactorily the topics covered in learning objectives.	Prescribed readings, class discussions and applications of concepts using numerical problems and local & International case studies wherever required	Class Assignments, Class Participation, Quiz	To be announced in class
6	Advanced Decision Rules for Capital Budgeting	To understand the basic concepts of ⇒ Comparative Study of Various decision Rules ⇒ Which is the best technique? ⇒ Clash among IRR & NPV Results	To be able to analyze, understand and explain satisfactorily the topics covered in learning objectives.	Prescribed readings, class discussions and applications of concepts using numerical problems and local & International case studies wherever required	Class Assignments, Class Participation, Quiz	To be announced in class

7	Advanced Decision Rules for Capital Budgeting	To understand the basic concepts of ⇒ Multiple Internal Rate of Returns ⇒ Modified Internal Rate of Return ⇒ Projects with Unequal lives	To be able to analyze, understand and explain satisfactorily the topics covered in learning objectives.	Prescribed readings, class discussions and applications of concepts using numerical problems and local & International case studies wherever required	Class Assignments, Class Participation, Quiz	To be announced in class
8	Specialized Factors influencing Capital Budgeting Decisions	To understand the basic concepts of ⇒ Role of Depreciation ⇒ Inflation Effect	To be able to analyze, understand and explain satisfactorily the topics covered in learning objectives.	Prescribed readings, class discussions and applications of concepts using numerical problems and local & International case studies wherever required	Class Assignments, Class Participation, Quiz	To be announced in class
9	Specialized Factors influencing Capital Budgeting Decisions	To understand the basic concepts of ⇒ Taxation Effect	To be able to analyze, understand and explain satisfactorily the topics covered in learning objectives.	Prescribed readings, class discussions and applications of concepts using numerical problems and local & International case studies wherever required	Class Assignments, Class Participation, Quiz	To be announced in class
10	Capital rationing in Capital Budgeting Decisions	To understand the basic concepts of ⇒ Basic Concept of Capital Rationing? ⇒ Sources of Capital rationing ⇒ Hard & Soft Capital Rationing	To be able to analyze, understand and explain satisfactorily the topics covered in learning objectives.	Prescribed readings, class discussions and applications of concepts using numerical problems and local & International case studies wherever required	Class Assignments, Class Participation, Quiz	To be announced in class
11	Capital rationing in Capital Budgeting Decisions	To understand the basic concepts of ⇒ Single Period & Multi Period Capital rationing ⇒ Capital Rationing using Linear Programming – An Idea	To be able to analyze, understand and explain satisfactorily the topics covered in learning objectives.	Prescribed readings, class discussions and applications of concepts using numerical problems and local & International case studies wherever required	Class Assignments, Class Participation, Quiz	To be announced in class
12	Risk Analysis in Capital Budgeting	To understand the basic concepts of ⇒ Evaluation of Project Risk Analysis ⇒ Beta Factor ⇒ CAPM Concepts & Calculations ⇒ Use of CAPM in Capital Budgeting ⇒ Sensitivity Analysis	To be able to analyze, understand and explain satisfactorily the topics covered in learning objectives.	Prescribed readings, class discussions and applications of concepts using numerical problems and local & International case studies wherever required	Class Assignments, Class Participation, Quiz	
13	Asset Replacement Decisions using Capital Budgeting	To understand the basic concepts of ⇒ Asset Replacement decisions ⇒ Make or Buy Decisions ⇒ Buy or Lease Decisions	To be able to analyze, understand and explain satisfactorily the topics covered in learning objectives.	Prescribed readings, class discussions and applications of concepts using numerical problems and local & International case studies wherever required	Class Assignments, Class Participation, Quiz	

14	Capital Budgeting for International Projects	<p>To understand the basic concepts of</p> <ul style="list-style-type: none"> ⇒ Global Investment Regulators ⇒ General overview of Rules & Regulations Foreign Investment in Pakistan ⇒ Investment in Globally funded Projects 	<p>To be able to analyze, understand and explain satisfactorily the topics covered in learning objectives.</p>	<p>Prescribed readings, class discussions and applications of concepts using numerical problems and local & International case studies wherever required</p>	<p>Class Assignments, Class Participation, Quiz</p>	<p>To be announced in class</p>
15	Capital Budgeting Decisions for Sustainable Projects	<ul style="list-style-type: none"> ⇒ Opportunities and options available for Sustainable Investments 	<p>To be able to analyze, understand and explain satisfactorily the topics covered in learning objectives.</p>	<p>Prescribed readings, class discussions and applications of concepts using numerical problems and local & International case studies wherever required</p>	<p>Class Assignments, Class Participation, Quiz</p>	<p>To be announced in class</p>