

3-Day Course Outline

Pre-Course Reading; Self Teaching Manual, 12th Edition

Monday: Time Value of Money, Discount Rates and Decision Criteria (Chapters 1-3)

You will learn to apply the concepts of time value of money in calculating rate of return (internal rate of return), net present value, ratios and other criteria. Other topics include understanding calculator and spreadsheet functions, graphical approaches illustrating the meaning of rate of return and net present value as well as methods used to determine an appropriate discount rate. Evaluating service producing alternatives will be presented including cost analysis and incremental calculations.

Tuesday: Application of Decision Criteria, Inflation (Chapters 4-5)

The application of decision criterion to mutually exclusive and non-mutually exclusive alternatives will be reviewed. This discussion will also introduce related problems concerning cash flow streams exhibiting a cost-income-cost pattern and the subsequent dual rates of return and the meaning of economic results. Application of inflation as it relates to escalated (or current) and constant (or real) dollar analyses will be introduced.

Wednesday: Inflation, Risk, Sensitivity Analysis, and After-Tax Cash Flow (Chapters 5-6)

Continued discussion on inflation will focus on understanding how this important parameter may impact the type of dollars and the appropriate discount rate in escalated and constant dollar calculations. Sensitivity analyses addressing uncertainty are explored along with an introduction to quantifying risk through expected value calculations.

