Standard Course Outline
FIN 620
Capital Budgeting

1. General Information:
   Units: 3 credits
   Prerequisites: FIN 600
   SCO prepared by:
   Date Prepared: March 21, 2012

2. Catalog Description:
   Theory of capital budgeting within the framework of the firm. Cost of capital determination and logic of expansion vs. growth, and equity financing vs. debt financing. Computer application required.

3. Curriculum Justification:
   The course is aligned with the CBA learning goals of critical thinking, business functions, quantitative and technical skills.

4. Course Objectives:
   a. Critical Thinking
      i. Students will be able to differentiate the cash flows that are relevant to investment projects.
      ii. Students will be able to assess the impact of cost of capital on a firm’s value.

   a. Business Functions
      i. Students will demonstrate how the proper implementation of the capital budgeting process adds value to a firm.

   b. Quantitative & Technical Skills
      i. Students will be able to estimate the relevant cash flow and risk of an investment project.
      ii. Students will be able to compute a firm’s weighted average cost of capital.
      iii. Students will be able to determine the relative worth of investment projects under various assumptions and scenarios.

5. Outline of Subject Matter:
   Topics to be covered in this class typically include:

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<tr>
<th>Topics</th>
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<tbody>
<tr>
<td>1</td>
<td>Overview of Long-Term Investing and Financial Decisions</td>
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<td>2</td>
<td>Measuring Investment Value: Free Cash Flow, Net Present Value, and Economic Value Added</td>
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<td>3</td>
<td>Alternative Methods of Evaluating Capital Investments</td>
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<td>4</td>
<td>Estimating Incremental Project Cash Flows</td>
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<td>5</td>
<td>Ranking Mutually Exclusive Investments</td>
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<td>6</td>
<td>Capital Rationing</td>
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<td>7</td>
<td>Inflation and Capital Investment Analysis</td>
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6. **Methods of Instruction:**
A seminar style approach is utilized which incorporates classroom discussion of capital budgeting topics and case studies, a large portion of which includes problem solving methods via the usage of excel modeling. Grades will be based upon the following activities:
- Participation in class discussions and cases
- Case study assignments
- Examinations

**Suggested Textbooks:**
- *Capital Budgeting & Long-Term Financing Decisions*, 4th Edition; Neil Seitz and Mitch Ellison; South-Western Cengage Learning, 2005

7. **Instructional Policies:**

Instructors may specify their own policies with regard to grading, class-room behavior, make-up exam, withdrawal, academic integrity, absences, etc., as long as these policies are consistent with the University policies.

The students are expected to comply with the universally accepted norms of considerate and courteous behavior, and with all University rules and policies found in the current University Catalog. It will be assumed that the students will adhere to the tenets of academic integrity as articulated in Dean’s Letter on Academic Integrity throughout this course.

**Students with Disabilities:** Students with disabilities are responsible for notifying their instructor as early as possible of their needs for an accommodation of a verified disability. A student with a disability is urged to consult with Disabled Student Services as soon as possible in order to identify possible accommodations to enhance academic success.