

Elective course in the area **Accounting**

Investment Appraisal

Teaching Load

4 hours per week

Kind of course

Elective in Master Programme

ECTS Credit Points

8 = 240 hours

Lecture:

- 60 hours

Self-study:

- 180 hours

- 85 hours: Preparation of exercises and case studies

- 95 hours: Mandatory reading

Lecturer

Prof. Dr. Peter Schuster

Course objective and Learning Outcomes

Learning Objectives:

- Analyse and compare different investment appraisal methods
- Understand the investment decision process and the limitations of investment appraisal due to assumptions of various methods
- Identify how investment appraisal methods can be applied for optimum economic life decisions
- Understand how multiple criteria decision-making can be incorporated in the investment decisions
- Derive and understand simultaneous decision-making models

Learning Outcomes:

Gaining an advanced understanding of Investment Appraisal by discussing different methods and.

Discussion of capital market (and other) assumptions and its role in investment decision-making.

Topics

1. The Capital Market and Investment Decisions: Introduction

2. Basic and Advanced Methods of Investment Appraisal

1. Discounted cash flow methods (Net present-value method, annuity method, internal rate-of-return method, dynamic payback period method)
2. Compounded cash flow methods (Compound value method, critical debt interest rate method, visualisation of financial implications method)

3. Applications of Investment Appraisal

1. Income taxes and investment decisions
2. The assessment of foreign direct investments
3. Economic life and replacement time decisions

4. Multi-Criteria Methods and Investment Appraisal

1. Utility value analysis
2. Analytic hierarchy process
3. Multi-attribute utility theory
4. PROMETHEE

5. Simultaneous Decision-Making Models

1. Simultaneous investment and financing decisions
2. Simultaneous investment and production decisions

6. Methods and Models that Incorporate Uncertainty

1. Models for investment projects under uncertainty
2. Models for investment programmes under uncertainty

Literature

- Götze, U., Northcott, D., Schuster, P.: Investment Appraisal. Methods and Models. Springer-Verlag 2008
- Schuster, P.: Management Accounting & Management Control, CD Rom (latest version)
- Schuster, P.: VoFI: A More Realistic Method for Investment Appraisal, in: Management Accounting Quarterly, Winter 2011, Vol. 12, No. 2, p. 24-34 (2011)

Further references will be given during the classes.

Teaching Methods	<ul style="list-style-type: none">• Lectures• Discussion• Discussion of exercises• Case studies
Grading	➤ Final exam (100%)
Language of Instruction	English