

GSOE 9830 Questions on Week 1 Topics, Term 2, 2025

Dear Students

I invite you to write down your answers to the questions set out below.

Please do not attempt to submit your answers. They are intended for you to self-assess your understanding of some of the material discussed in the first lecture. I will provide answers to the questions next week.

Regards, Guy

3 June 2025

1. What are the main differences between “Capital Costs” and “Operating Costs”?
2. What is the main difference between net cash flow and profit?
3. Why is it wrong to use profit as our bottom line in making investment decisions?
4. How does depreciation affect the economics of project development, particularly marginal project development?
5. What would be a more economically efficient way of treating capital costs in the tax system instead of depreciation? Why?
6. What is a marginal project development?
7. What is a tax loss carry forward?
8. How does it affect tax payments in net cash flow projections?
9. Why did New Zealand allow depreciation as costs are incurred?
10. Why would a company prefer to pay tax later rather than sooner ?