

3.8 Investment appraisal

Checklist

What you should know

By the end of this subtopic, you should be able to:

- define the following terms: (AO1)
 - payback period
 - average rate of return
 - net present value
 - discount rate
- calculate, compare and evaluate investment opportunities using the payback period (AO3, AO4)
- calculate, compare and evaluate investment opportunities using the average rate of return (ARR) (AO3, AO4)
- calculate, compare and evaluate investment opportunities using the net present value (NPV) (AO3, AO4)