

## One Hour Lesson Plan

# Lesson Plan: Capital Budgeting

**Topic:** Capital Budgeting – Concepts, Methods, and Decision-Making

**Duration:** 1 Hour

**Target Audience:** Undergraduate/Graduate Finance or Business Students

**Teaching Method:** Lecture + Discussion + Numerical Example + Q&A

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## 1. Learning Objectives

By the end of the session, students should be able to:

1. Define capital budgeting and explain its importance in business decision-making.
  2. Identify the key steps in the capital budgeting process.
  3. Describe and apply common capital budgeting techniques (Payback Period, NPV, IRR, PI).
  4. Interpret results to make investment decisions.
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## 2. Lesson Structure & Time Allocation

Time	Activity	Details	Method/Tools
0 – 5 min	Introduction	- Greet students & introduce the topic.- Explain why capital budgeting is crucial for long-term financial planning.- Give a quick real-world example (e.g., setting up a new manufacturing plant).	Whiteboard / PPT Slide
5 – 15 min	Concept & Importance	- Define capital budgeting.- Distinguish between capital budgeting & operational budgeting.- Explain strategic significance (high cost, long-term effect, irreversible nature).	Lecture + PPT
15 – 30 min	Techniques Overview	- <b>Payback Period</b> – concept, advantages, limitations.- <b>Net Present Value (NPV)</b> – formula, interpretation, why it's superior.- <b>Internal Rate of Return (IRR)</b> – definition, decision rule.- <b>Profitability Index (PI)</b> – meaning & usage.- Use a simple comparative table for methods.	Lecture + Slide with table
30 – 45 min	Worked Example	Present a scenario: Two project options with different cash flows.- Students calculate Payback Period, NPV, and IRR in groups or individually.- Discuss which project to choose & why.	Whiteboard / Spreadsheet
45 – 53 min	Discussion & Practical Applications	- Discuss real-life examples from companies.- Briefly touch on risk analysis in capital budgeting	Q&A / Discussion

Time	Activity	Details	Method/Tools
53 – 60 min	Summary & Assessment	(sensitivity analysis, scenario analysis).- Link to financial management concepts learned earlier. - Recap key points.- Quick oral quiz or 3 MCQs to check understanding.- Assign a short homework: Evaluate a given project using any 2 methods.	Oral Q&A / Handout

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### 3. Teaching Aids

- PowerPoint slides (concepts, formulas, examples)
  - Whiteboard/Marker
  - Handouts with solved and unsolved problems
  - Calculator or Excel (if available)
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### 4. Assessment & Follow-up

#### Formative Assessment:

- In-class problem-solving & quick quiz at the end.

#### Homework:

- Given a set of project cash flows, compute Payback Period, NPV, IRR, and PI, and recommend a decision.

#### Follow-up Topic for Next Class:

- Risk and uncertainty in capital budgeting decisions.
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