

Title of course	M3.B Investment Appraisal
Responsible instructor	Prof Dr Peter Schuster
Learning objectives	Understand investment planning and investment decision-making
	 Identify relevant methods of investment appraisal methods assuming a perfect and an imperfect capital market
	 Compare the different investment appraisal methods particularly in regard to their underlying assumptions
	 Illustrate the application of multiple criteria methods for investment decision-making
	 Describe simultaneous decision-making models linking investment and finance decisions
	 Implement complex investment appraisal methods to real-world examples relating to simple or complex tax regulations of companies
	 Determine the optimum economic life, in different scenarios, by applying advanced investment appraisal methods
	 Demonstrate the use of investment appraisal methods at the example of investment replacement time decisions
	 Determine optimum investment timing strategies by applying investment appraisal methods
	 Solve complex decision problems of single projects under uncertainty
	 Solve complex decision problems of investment programmes under uncertainty
	 Examine and understand the corporate investment decision process and the limitations due to assumptions of various methods
	 Critically evaluate the suitability of methods currently in practical company use and develop an understanding of how decisions can be improved and how the decision can be adapted to imperfect capital market situations
Course contents	The capital budgeting and investment decisions: Introduction
	2. Basic and advanced methods of investment appraisal
	2.1. Discounted cash flow methods
	2.1.1. Net present-value method
	2.1.2. Annuity method
	2.1.3. Internal rate-of-return method
	2.1.4. Dynamic payback period method
	2.2. Compounded cash flow methods
	2.2.1. Compound value method
	2.2.2. Critical debt interest rate method
	2.2.3. Visualisation of financial implications (VoFI) method
	3. Applications of investment appraisal
	3.1. Income taxes and investment decisions
	3.2. The assessment of foreign direct investments
	3.3. Economic life and replacement time decisions
	4. Multi-criteria methods and investment appraisal 4.1. Utility value analysis
	4.1. Utility value analysis
	4.2. Analytic hierarchy process (AHP) 4.3. Multi-attribute utility theory (MAUT)
	4.4. PROMETHEE



Suggested reading Biggested reading Götze, U., Northcott, D., Schuster, P.: Investment Appraisal. Methods and Models, 2nd Ed., Springer, 2015 Schuster, P.: Management Accounting & Management Control USB stick (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 Further references will be given during the classes. Applicability This course is in particular applicable to the following Master programmes: International Business and Economics (M.A.; "IBE"), Finance (M.Sc.). This course is also applicable to other business-oriented Master programmes offered by Schmalkalden University of Applied Sciences. Workload Total workload: 240 hours, of them: Lecture: 60 Self-study: 180, of them: Course preparation (in particular reading): 45 Follow-up: 45 Readings and exam preparation (including mid-term): 90 ECTS credit points and weighting factor: 8/120 (IBE) or 8/90 (Finance), respectively Basis of student evaluation Comprehensive written examination, 90 minutes (90%) Mid-term exam, 60 minutes (10%) First academic year		1
5.2. Simultaneous investment and production decisions 6. Methods and models that incorporate uncertainty 6.1. Models for investment projects under uncertainty 6.2. Models for investment projects under uncertainty 7. Models for investment programmes under uncertainty 8. Lectures 9. Exercises 9. Exercises 9. Discussion 9. Self-study 9. Prerequisites There are no formal requirements. 9. Suggested reading 9. Gôtze, U., Northcott, D., Schuster, P.: Investment Appraisal. Methods and Models, 2nd Ed., Springer, 2015 9. Schuster, P.: Management Accounting & Management Control USB stick (latest version) 9. Schuster, P.: WoFl: A More Realistic Method for Investment Appraisal, in: Management Accounting Quarterly, Winter 2011, Vol. 12, No. 2, p. 24-34 9. Further references will be given during the classes. Applicability This course is in particular applicable to the following Master programmes: International Business and Economics (M.A.; "IBE"), Finance (M.Sc.). This course is also applicable to other business-oriented Master programmes offered by Schmalkalden University of Applied Sciences. Workload Total workload: 240 hours, of them: 9. Lecture: 60 9. Self-study: 180, of them: 9. Course preparation (in particular reading): 45 9. Follow-up: 45 9. Readings and exam preparation (including mid-term): 90 ECTS credit points and weighting factor: 8/120 (IBE) or 8/90 (Finance), respectively Basis of student evaluation 9. Mid-term exam, 60 minutes (10%) Time 9. First academic year Frequency 9. Each academic year Duration 9. One semester Course type 1. Elective course		
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