

# *Investment Appraisal*

## Scope

The course deals extensively with the scope, techniques and objectives of investment appraisal, as well as the Risk – Reward relationship. This core module has a twin role. First, it covers the breadth of the different types of investments and risks, to ensure understanding of basic concepts and theories. Second, it introduces non-discounting and discounting methods of investment appraisal. The concept of ‘risk-return trade-off’ is elucidated, together with an appraisal of various types of investments. Other important areas include portfolio theory, corporate valuation, pricing of financial securities, and the role of fundamental vs. technical analysis. All in all, attention is focused in identifying the investment aims of different categories of investor and analysing the investment instruments which meet those needs. Essentially, all issues are looked at within the context of a dynamic financial/business environment, spelling out the full intricacies of the decision-making process in the area of Finance.

## Learning Outcomes

Upon successful completion of the module, participants should:

- a) Apply modern techniques in appraising proposed investment
- b) Calculate the respective cost for each main category of capital employed as well as the overall average cost of all sources of capital.
- c) Understand the fundamental elements in designing a diversified portfolio of assets, on the basis of well-defined objective(s).
- d) Calculate the correct (theoretical) rate of return for various market-quoted assets), based on their respective levels of systematic risk.
- e) Understand the nature, role and importance of different types of investments which exist in the market today, and the variables influencing their pricing.

## Who should attend?

- Financial & Business analysts.
- Freelancers who would like to understand the mechanics of investment appraisal.
- Mon finance Managers who are dealing with investment decision-making

## Structure

Formal lectures will be used to establish the theoretical basis for Learning Outcomes described above. These will be further supported by computer-based learning exercises designed specifically for the course, which will be introduced in computer workshops, and which will be available to participants to take home and use then in real life.

## Course Documentation

All delegates will receive comprehensive course documentation for future reference, including a CD-Rom containing the course exercises with solutions, as well as example spreadsheets.

## *Course Agenda*

- I. Introduction to Investment Appraisal
  - Determinants of investment strategy
  - Types of investor and investment
- II. Risk and Return
  - Definition
  - Measures used:- expected return, variance, standard deviation
  - Financial evaluation under conditions of uncertainty
  - Normal probability distribution
  - Introduction to portfolio theory
- III. Various risks that face a corporation
  - Business Risk
  - Financial Risk
  - Systematic vs. unsystematic risk
- IV. Investment Appraisal
  - The Investment Decision
    - Capital budgeting
    - Payback, RoI, NPV, IRR
  - Company Analysis
    - Qualitative
    - Quantitative
    - Financial and efficiency ratios
  - Stock Valuation
    - Weighted average Cost of Capital (WACC)
    - Cost of debt
    - Cost of equity
- V. Case study – Company Valuation based on different valuation techniques