

Glassboro State College Senate Curriculum Committee



Approval Form

Proposal Title: Capital Budgeting

Sponsor(s) Dr. Pritchard Dept.: Accounting & Finance Ext. 6027

Check one: Course Specialization Concentration Minor Achievement Certificate
 Certification Program Major Program Minor Change
(please name, deletion or credit/title/catalog change)

Undergraduate Graduate 3 Credit Hours

<p>Step 1 (Department)</p> <p><input checked="" type="checkbox"/> Approved <u>3/13/90</u> Date</p> <p><input type="checkbox"/> Not Approved <u>[Signature]</u> Dept. CC Chairperson</p> <p><input checked="" type="checkbox"/> Reviewed <u>3/13/90</u> Date</p> <p><u>[Signature]</u> Dept. Chairperson</p>	<p>Step 2 (Receipt)</p> <p><input type="checkbox"/> SCC# <u>89-90-44</u></p> <p>Proposal Received <u>3/13/90</u> Date</p> <p><u>[Signature]</u> SCC Chairperson</p>	<p>Step 3 (School CC)</p> <p>Reviewed <u>3/20/90</u></p> <p><input checked="" type="checkbox"/> Approved <input type="checkbox"/> Not Approved</p> <p>Comments:</p> <p><u>[Signature]</u> School Curr. Comm. Chairperson</p>
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Step 4 (Academic Dean)

Recommend
 Not Recommend
 Conditionally Recommend (see comments)

Reviewed 3/16/90
Date

Comments:

[Signature]
Signature, Dean of School

Step 5 (SCC)

Open Hearing 4/20/90
Date

Approved by Senate Curriculum Committee 4/20/90
Date

Returned to sponsor(s) for the following reasons:

Step 6 (Senate)

Presented to Senate 5/17/90
Date

Approved Not Approved

Notification to Executive Vice-President/Provost 6-4-90
Date

[Signature]
Signature, SCC Chairperson

Step 7 (Executive V.P./Provost)

Received 6/4/90
Date

Approved Yes No

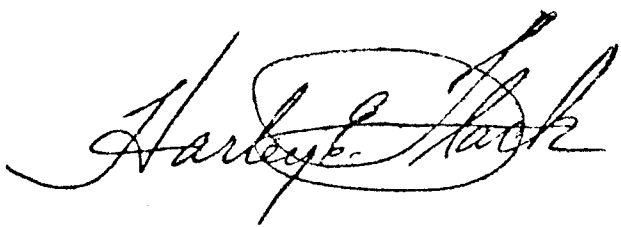
If no, reasons are as follows:

Student credit hours 3

Faculty load hours 3

Equalized credit hours 3

Official copy and approval sheet filed 6/25/90
Date


Signature, Executive Vice-President/Provost

Registrar

Approved course description received 6/27/90
Date

Hegis Taxonomy and Course Number assigned 0504-512

B. J. Keefe for DB 6/21/90
Signature, Registrar Date

Notification forwarded:

- Senate Curriculum Committee Chairperson
- Department Chairperson(s)
- Academic Dean(s)
- Registrar
- Sponsor(s)

Course Proposal

Capital Budgeting (MBA Course)

Prepared by:

Dr. Robert E. Pritchard, Professor of Finance

January 20, 1990 (Revised May 4, 1990)

A. BACKGROUND INFORMATION

- a. Course Title: Capital Budgeting
- b. Sponsor: School of Business Administration
- c. Course Level: Graduate
- d. Curriculum Effect: Requirement for finance specialization
- e. Prerequisites: The following graduate courses:
Managerial Finance, Managerial
Accounting, and Quantitative Methods
- f. Implementation: Starting fall semester 1991 and every
fall semester in the evening.
- g. Adequacy of Existing Staff: Present faculty members are capable
teaching this course.

B. RATIONALE

Within the MBA Program there will be a nine-credit specialization in finance. Experience with other MBA programs suggests that the finance specialization will be very popular. The specialization will consist of the existing upper-level course in investments and portfolio analysis and two new courses. One of these will be Capital Budgeting. The other will be Issues in Finance, a course dealing with the topics of managerial finance, money and capital markets and international finance. Later, if student demand for the course is high and faculty are available, other courses may be added.

C. ESSENCE OF THE COURSE

- a. Objectives:

The student will gain knowledge in a variety of areas within the field of capital budgeting as described in paragraph C.b. below. In addition, this course will focus on the following four areas:

1. Applying quantitative skills within the field of finance.
2. Developing computer skills to analyze capital budgeting and leasing projects. A set of detailed Lotus templates, including expanded sensitivity analysis will be utilized. At least one full evening class session (and probably two) will be held in the computer lab.
3. Applying research skills and writing skills to the preparation of a term paper.
4. Applying public speaking skills to the presentation of the term paper to the instructor and class.
5. Students will acquire the following skills specific to capital budgeting.
 - a. Perform compound interest, future value of annuity (start and year-end), present value, present value of annuity (start and year-end) and perpetuity calculations.
 - b. Perform payback and discounted payback calculations.
 - c. Perform present value and internal rate of return calculations both with and without explicit reinvestment rate assumptions. The calculations will include varying reinvestment rates and costs of capital.
 - d. Compute equivalent annual charge for projects and abandonment.
 - e. Calculate the firm's cost of capital.
 - f. Make capital budgeting decisions under conditions of risk using certainty equivalent and risk-adjusted discount rate and sensitivity analysis.
 - g. Make lease versus purchase decisions from both the perspective of the lessee and lessor.
 - h. Determine a capital budget under conditions of multiple projects and limited resources.

b. Topical Outline/Content:

1. The process of selecting and evaluating capital proposals.
2. The methods of calculating interest, future value of annuities, present value and present value of annuities with both constant and changing cash flows. This will represent a review of materials covered in the core MBA course, Managerial Finance.
3. Analysis of project cash flows. This will include the implications of both depreciation and taxes.
4. The methods of evaluating capital expenditures: payback, payback including the cost of funds, net present value, profitability index, internal rate of return, and equivalent annual charge. The discounted cash flow methods will be examined both with the traditional implicit reinvestment assumptions and using the concepts of specified and changing reinvestment rates with terminal value.
5. Evaluation of the various methods described in Paragraph 4 to determine the particular strengths and weaknesses of each, and when each should be applied.
6. Determination of the firm's cost of capital over a series of periods and evaluating projects with changing costs of capital.
7. Evaluation of mutually exclusive projects which may have varying costs and lives.
8. Evaluation of the various methods used to compensate for risk. In particular, certainty equivalent and adjusted discount rate methods will be utilized along with sensitivity analysis.
9. Strategic planning as applied to capital budgeting.
10. Capital abandonment and project evaluation over the project's life.
11. Lease analysis both from the viewpoint of the lessee and the lessor/dealer and lessor/manufacturer.

c. Evaluation and grading:

1. Students will be evaluated on the following:
 - a. Knowledge of the field of capital budgeting. This will be accomplished using a series of quizzes and tests.
 - b. Ability to utilize the Lotus templates to solve a variety of capital budgeting problems.
 - c. Ability to prepare a professionally written term paper and/or case studies, and present the results to the class.
2. Course evaluations will be conducted by the School of Business Administration. Instructor and student evaluations will be used.

D. CONSULTATIONS

This course is similar to the capital budgeting courses offered in other MBA programs.

CATALOG DESCRIPTION

CAPITAL BUDGETING

3 Credits Graduate

This course includes the following topics: estimation of project cash flows, interest, annuity, and present value calculations, evaluation of projects under conditions of certainty and risk, strategic planning in capital budgeting, and leasing.

Prerequisites:

Managerial Finance (0504.500)
Managerial Accounting (0502.500)
Quantitative Methods (0507.500)