

Course Outline

Cash Flow and Capital Budgeting

Duration: 2 days

Learning Objectives:

- Deciding whether to invest in new projects
- Calculate the relevant cash flow
- Resolve problems created when the number of projects that can be accepted or the total budget is limited
- Compare two mutually exclusive projects of unequal size, time and lives
- Deal with projects having unequal lives.

Target Audience:

Managers

Topics Covered:

- Guidelines of capital budgeting:
 - Use free cash flows rather than accounting profit
 - Think Incrementally
 - Beware of cash flows diverted from existing products
 - Look for incidental or synergistic effects
 - Work in working capital requirements
 - Incremental expenses, sunk cost and opportunity costs
 - Interest payments and financing flows.
- Calculation of a project's free cash flows:
 - Initial Outlay
 - Annual Free cash flows
 - Terminal cash flow
 - Measuring the cash flows
- Capital rationing and mutual exclusive project:
 - Rationale for capital budgeting
 - Capital rationing and project selection
 - Project ranking:
 - Size disparity
 - Time disparity
 - Unequal lives
 - Equivalent annual annuity (EAA)