

The Financial Value of Capital Projects

MBA-5200

S1 2021 Section JA 3 Credits 01/04/2021 to 03/05/2021 Modified 10/15/2020

Meeting Times

Description

In order to increase the financial value of a firm a project must produce sufficient profits to satisfy the firm's owners. In this course students evaluate whether proposed projects are consistent with the business plan and use capital budgeting techniques to determine if projected cash flows adequate compensate the organization for the risk associated with the project.

Requisites

BUSN 5000, MBA 5010, MBA 5020, and MBA 5030

Outcomes

Learning Outcome 1: Student can explain the role accounting statements play in measuring the present, ascertain future cash needs using proforma statements.

Expectation: Students will demonstrate the ability to:

- Explain what financial statements measure and what they do not measure to others.
- Determine the firm's need for cash or its ability to generate free or excess cash flow when given projected income statement and balance sheet data.
- Prepare proforma financial statements including the proforma income statement, balance sheet and statement of cash flows when given costs relationships, sales projections, and balance sheet relationships.

Learning Outcome 2: Student can differentiate cost behaviors and explain the role that activities play in driving cost.

Expectation: Students will demonstrate the ability to:

- Identify drivers of cost and understand how growth impacts costs and cash flows.
- Use cost volume profit analysis to calculate an income break-even and for planning and decision making.
- Apply activity-based costing to a company to improve managements understanding of product profitability, customer profitability, and overall cost control.

Learning Outcome 3: Student can identify the steps necessary in preparing a static budget and can assemble a performance report after the fact.

Expectation: Students will demonstrate the ability to:

- Describe the steps (or flow of information) needed to prepare a master or static budget.
- Convert a "before the fact" static operating budget into an "after the fact" performance report that can be used for performance review.

- Use a formal decision-making model to identify relevant cost data.

Learning Outcome 4: Student can convert a financial statement to a common sized statement and can calculate ratios for comparison with peer companies.

Expectation: Students will demonstrate the ability to:

- Use common sized income statements and balance sheets on a real company and real competitors to identify current positions, trends within the company, and trends within the industry.
- Use financial ratio analysis on a real company to identify strengths and weaknesses of the company over time and relative to peers.
- Use market-based ratios to confirm or identify opportunities or threats in the competitive landscape.

Learning Outcome 5: Student can explain the role of capital budgeting in wealth creation.

Expectation: Students will demonstrate the ability to:

- Explain what capital budgeting is and why it is important to the organization.
- Assemble the relevant cash flows for a capital budgeting project.
- Calculate the net present value, profitability index, internal rate of return, payback period, and present value payback period for a project.
- Explain to others what each of the alternative decision models measure and the weaknesses in applying these alternative models.
- Discern between independent projects and mutually exclusive projects and make the correct selection of the best project given the situation.

Learning Outcome 6: Student can discuss the importance of risk variables influencing company and project cost of capital.

Expectation: Students will demonstrate the ability to:

- Explain to others the input variables that influence the cost of capital for the firm.
- Calculate the required return for a project operating within the company's existing risk profile.
- Calculate the required return for a project in new industries or markets with differing risk profiles.

Learning Outcome 7: Student can measure project risk exposure and explain how managers mitigate project risk.

Expectation: Students will demonstrate the ability to:

- Utilize sensitivity analysis to identify potential risk exposures brought by the project.
- Utilize scenario analysis to judge the risk exposure of the project.
- Calculate a net present value breakeven point
- Understand project risk management tools used by management to alleviate or lessen the risk exposure to the company.

Learning Outcome 8: Student can demonstrate the ability to pull together a complete project proposal for a real company using situational factors related to this real company including environmental, social, and governance issues.

Expectation: Students will demonstrate the ability to:

- Prepare a project proposal that identifies a hypothetical project for a real company which meets the goals of the company (including any environmental, social or governance goals), Facilitates the company's strategic mission, includes cash flow projections, project evaluation using various decision models and an appropriate required return, and a discussion identifying

Project risk and ways to mitigate or manage these risks.

Business Competencies

- Value creation
- Quantitative Analysis
- Market Analysis
- Strategy
- Capital Budgeting
- Pro Forma Analysis
- Managerial Accounting
- Managing Distribution and Pricing

Personal Effectiveness Objectives

- Efficient organization of work
- Independent learning
- Spreadsheet Analysis
- Probabilistic thinking

Required Textbook

Please Select a Textbook

Materials

Managerial Accounting: The Cornerstone of Business Decision-Making

Author: Maryanne M. Mowen; Don R. Hansen; Dan L. Heitger

ISBN: 10: 1-337-11577-0

Availability: Cengage Unlimited Subscription

Survey of Accounting

Author: Carl Warren

ISBN: 10: 1-305-96188-9

Availability: Cengage Unlimited Subscription

Financial Management: Theory & Practice

Author: Eugene F. Brigham; Michael C. Ehrhardt

ISBN: 10: 1-337-90260-8

Availability: Cengage Unlimited Subscription

Cengage Unlimited Subscription

This course requires a subscription to Cengage Unlimited. Subscriptions are valid for a year from your initial purchase date. You do not need to purchase an additional subscription if you have activated Cengage for a previous course within the 10 months.

Note: You only need to purchase one Cengage Unlimited subscription to add any Cengage eTextbook or online homework for other classes to your dashboard at no additional cost.

Download the free [Cengage Mobile App](#) to get your Cengage eTextbooks and study tools on your phone.

Additional articles and materials will be provided within WorldClassRoom.

Schedule

When	Topic	Notes
Week 1	Accounting Statements	<ul style="list-style-type: none"> • Please read the course overview and syllabus and introduce yourself to the rest of the class as part of the discussion – due by Thursday 11:59 PM. • Please read the assigned textbook material, view any videos, review any spreadsheets, read the lecture material, and complete the concept checks before attempting the discussion, quiz, and practice set. • Online -- Please complete the discussion reading material and complete your post by Thursday 11:59 PM and your discussion response by Sunday 11:59 PM (if online). • Face to face (or Zoom) please complete the discussion reading material and be ready to discuss in class by the class meeting time. • Please complete the reading quiz by Sunday 11:59 PM. • Please complete the practice set by Sunday 11:59 PM.
Week 2	Evaluating Cost Relationships	<ul style="list-style-type: none"> • Please read the assigned textbook material, view any videos, review any spreadsheets, read the lecture material, and complete the concept checks before attempting the discussion, quiz, and practice set. • Online -- Please complete the discussion reading material and complete your post by Thursday 11:59 PM and your discussion response by Sunday 11:59 PM (if online). • Face to face (or Zoom) please complete the discussion reading material and be ready to discuss in class by the class meeting time. • Please complete the reading quiz by Sunday 11:59 PM. • Please complete the practice set by Sunday 11:59 PM.
Week 3	Budgeting and Performance Evaluation	<ul style="list-style-type: none"> • Please read the assigned textbook material, view any videos, review any spreadsheets, read the lecture material, and complete the concept checks before attempting the discussion, quiz, and practice set. • Online -- Please complete the discussion reading material and complete your post by Thursday 11:59 PM and your discussion response by Sunday 11:59 PM (if online). • Face to face (or Zoom) please complete the discussion reading material and be ready to discuss in class by the class meeting time. • Please complete the reading quiz by Sunday 11:59 PM. • Please complete the practice set by Sunday 11:59 PM.
Week 4	Evaluating the Competitive Landscape	<ul style="list-style-type: none"> • Please read the assigned textbook material, view any videos, review any spreadsheets, read the lecture material, and complete the concept checks before attempting the discussion, quiz, and practice set. • Online -- Please complete the discussion reading material and complete your post by Thursday 11:59 PM and your discussion response by Sunday 11:59 PM (if online). • Face to face (or Zoom) please complete the discussion reading material and be ready to discuss in class by the class meeting time. • Please complete the reading quiz by Sunday 11:59 PM. • Please complete the practice set by Sunday 11:59 PM. • Please complete this section of the Chipotle project assignment with your team by Sunday 11:59 PM.
Week 5	Evaluating Capital Projects	<ul style="list-style-type: none"> • Please read the assigned textbook material, view any videos, review any spreadsheets, read the lecture material, and complete the concept checks before attempting the discussion, quiz, and practice set. • Online -- Please complete the discussion reading material and complete your post by Thursday 11:59 PM and your discussion response by Sunday 11:59 PM (if online). • Face to face (or Zoom) please complete the discussion reading material and be ready to discuss in class by the class meeting time. • Please complete the reading quiz by Sunday 11:59 PM. • Please complete the practice set by Sunday 11:59 PM. • Please complete this section of the Chipotle project assignment with you team by Sunday 11:59 PM.

When	Topic	Notes
Week 6	Using and Understanding Alternative Measures of Project Desirability	<ul style="list-style-type: none"> • Please read the assigned textbook material, view any videos, review any spreadsheets, read the lecture material, and complete the concept checks before attempting the discussion, quiz, and practice set. • Online -- Please complete the discussion reading material and complete your post by Thursday 11:59 PM and your discussion response by Sunday 11:59 PM (if online). • Face to face (or Zoom) please complete the discussion reading material and be ready to discuss in class by the class meeting time. • Please complete the reading quiz by Sunday 11:59 PM. • Please complete the practice set by Sunday 11:59 PM. • Please complete this section of the Chipotle project assignment with your team by Sunday 11:59 PM.
Week 7	Evaluating Project Required Return or Cost of Capital	<ul style="list-style-type: none"> • Please read the assigned textbook material, view any videos, review any spreadsheets, read the lecture material, and complete the concept checks before attempting the discussion, quiz, and practice set. • Online -- Please complete the discussion reading material and complete your post by Thursday 11:59 PM and your discussion response by Sunday 11:59 PM (if online). • Face to face (or Zoom) please complete the discussion reading material and be ready to discuss in class by the class meeting time. • Please complete the reading quiz by Sunday 11:59 PM. • Please complete the practice set by Sunday 11:59 PM. • Please complete this section of the Chipotle project assignment with your team by Sunday 11:59 PM.
Week 8	Measuring and Managing Project Risk	<ul style="list-style-type: none"> • Please read the assigned textbook material, view any videos, review any spreadsheets, read the lecture material, and complete the concept checks before attempting the discussion, quiz, and practice set. • Online -- Please complete the discussion reading material and complete your post by Thursday 11:59 PM and your discussion response by Sunday 11:59 PM (if online). • Face to face (or Zoom) please complete the discussion reading material and be ready to discuss in class by the class meeting time. • Please complete the reading quiz by Sunday 11:59 PM. • Please complete the practice set by Sunday 11:59 PM. • Please complete this section of the Chipotle project assignment with your team by Sunday 11:59 PM.
Week 9	Project Proposal	<ul style="list-style-type: none"> • Online -- Please complete your Capital Budgeting Project Proposal write-up, spreadsheet, and presentation in final form by Friday. • Face to face (or Zoom) -- Please complete your Capital Budgeting Project Proposal write-up, and spreadsheet by the class meeting time. Please be prepared to do your presentation to the class during class time.

Institutional Policies

Academic Policies

Academic policies provide students with important rights and responsibilities. Students are expected to familiarize themselves with all academic policies that apply to them. Academic policies for undergraduate students can be found in the Undergraduate Studies Catalog; graduate students should review the Graduate Studies Catalog.

Undergraduate Studies Catalog

The Undergraduate Studies Catalog contains academic policies that apply to all undergraduate students. The *academic policies and information* section of the catalog contains important information related to **attendance, conduct, academic honesty, grades, and more**. If you are an undergraduate student, please review the catalog each academic year. The current Undergraduate Studies Catalog is at:

<http://www.webster.edu/catalog/current/undergraduate-catalog/> (<http://www.webster.edu/catalog/current/undergraduate-catalog/>)

Graduate Studies Catalog

The Graduate Studies Catalog contains academic policies that apply to all graduate students. The *academic policies* section of the catalog contains important information related to **conduct, academic honesty, grades, and more**. If you are a graduate student, please review the catalog each academic year. The current Graduate Studies Catalog is at:

<http://www.webster.edu/catalog/current/graduate-catalog/> (<http://www.webster.edu/catalog/current/graduate-catalog/>)

Grading

The Grades section of the academic catalog outlines the various grading systems courses may use, including the information about the final grade reported for this class.

Undergraduate

<http://www.webster.edu/catalog/current/undergraduate-catalog/academic-policies.html#grading>
(<http://www.webster.edu/catalog/current/undergraduate-catalog/academic-policies.html#grading>)

Graduate

<http://www.webster.edu/catalog/current/graduate-catalog/academic-policies.html#grades>
(<http://www.webster.edu/catalog/current/graduate-catalog/academic-policies.html#grades>)

Incomplete

There are important policies that govern grades of Incomplete (I), including the circumstances under which Incomplete grades are granted, deadlines for completion, and consequences should the remaining course work not be completed. It is the responsibility of a student who requests an Incomplete to ensure that he/she understands and follows the policies.

Grade Appeals

Instructors are responsible for assigning grades, and student should discuss grade issues with the instructor. Policies and procedures for appealing grades are available in the appropriate catalog.

Academic Honesty Policy

Webster University is committed to academic excellence. As part of our Statement of Ethics, we strive to preserve academic honor and integrity by repudiating all forms of academic and intellectual dishonesty, including cheating, plagiarism and all other forms of academic dishonesty. Academic dishonesty is unacceptable and is subject to a disciplinary response. Students are encouraged to talk to instructors about any questions they may have regarding how to properly credit others' work, including paraphrasing, quoting, and citation formatting. The university reserves the right to utilize electronic databases, such as Turnitin.com, to assist faculty and students with their academic work.

The University's Academic Honesty Policy is published in academic catalogs:

Undergraduate

<http://www.webster.edu/catalog/current/undergraduate-catalog/academic-policies.html>
(<http://www.webster.edu/catalog/current/undergraduate-catalog/academic-policies.html>)

Graduate

<http://www.webster.edu/catalog/current/graduate-catalog/academic-policies.html>
(<http://www.webster.edu/catalog/current/graduate-catalog/academic-policies.html>)

As a part of the University commitment to academic excellence, the Academic Resource Center provides student resources to become better acquainted with academic honesty and the tools to prevent plagiarism in its many forms:

http://www.webster.edu/arc/plagiarism_prevention/ (http://www.webster.edu/arc/plagiarism_prevention/)

Statement of Ethics

Webster University strives to be a center of academic excellence. The University makes every effort to ensure the following:

- The opportunity for students to learn and inquire freely
- The protection of intellectual freedom and the rights of professors to teach
- The advancement of knowledge through scholarly pursuits and relevant dialogue

To review Webster University's statement of ethics, see the Undergraduate Studies Catalog and the Graduate and Studies Catalog:

Undergraduate

<http://www.webster.edu/catalog/current/undergraduate-catalog/overview.html#ethics>
(<http://www.webster.edu/catalog/current/undergraduate-catalog/overview.html#ethics>)

Graduate

<http://www.webster.edu/catalog/current/graduate-catalog/ethics.html> (<http://www.webster.edu/catalog/current/graduate-catalog/ethics.html>)

Contact Hours for this Course

It is essential that all classes meet for the full instructional time as scheduled. A class cannot be shortened in length. If a class session is cancelled for any reason, the content must be covered at another time.

Important Academic Resources

Academic Accommodations

Webster University makes every effort to accommodate individuals with academic/learning, health, physical and psychological disabilities. To obtain accommodations, students must identify themselves and provide documentation from a qualified professional or agency to the appropriate campus designee or the Academic ADA Coordinator at the main campus. The Academic ADA Coordinator may be reached at 314-246-7700 or disability@webster.edu (<mailto:disability@webster.edu>).

If you have already identified as a student with a documented disability and are entitled to classroom or testing accommodations, please inform the instructor of the accommodations you will require for this class at the beginning of the course.

Academic Resource Center

Additional support and resources may be accessed through the Academic Resource Center (ARC). Support and resources include academic counseling, accommodations, assistive technology, peer tutoring, plagiarism prevention, testing center services, and writing coaching. Visit www.webster.edu/arc (<http://www.webster.edu/arc>) or Loretto Hall 40 on the main campus for more information.

Student Success Portal

Webster University's Student Success Portal, powered by Starfish, is a communications tool to connect students with faculty members and campus support services. It allows faculty and staff members to communicate with you regarding academic achievements as well as areas where support may be helpful. You may use the portal to contact faculty and staff members for assistance and to arrange meetings. Activity in the portal will be communicated to your Webster University email account. The Student Success Portal is available via your course home page in WorldClassRoom or via Connections. Learn more about the Student Success Portal at <http://www.webster.edu/success/students.html> (<http://www.webster.edu/success/students.html>).

University Library

Webster University Library is dedicated to supporting the research needs and intellectual pursuits of students throughout the University's worldwide network. Resources include print and electronic books, journal articles, online databases, DVDs and streaming video, CDs and streaming music, datasets, and other specialized information. Services include providing materials at no cost and research help for basic questions to in-depth exploration of resources. The gateway to all of these resources and services is <http://library.webster.edu> (<http://library.webster.edu>). For support navigating the library's resources, see <http://libanswers.webster.edu/> (<http://libanswers.webster.edu/>) for the many ways to contact library staff.

Drops and Withdrawals

Drop and withdrawal policies dictate processes for students who wish to unenroll from a course. Students must take proactive steps to unenroll; informing the instructor is not sufficient, nor is failing to attend. In the early days of the term or semester, students may DROP a course with no notation on their student record. After the DROP deadline, students may WITHDRAW from a course; in the case of a WITHDRAW, a grade of W appears on the student record. After the WITHDRAW deadline, students may not unenroll from a course. Policies and a calendar of deadlines for DROP and WITHDRAW are at:

Undergraduate

<http://www.webster.edu/catalog/current/undergraduate-catalog/enrollment.html>
(<http://www.webster.edu/catalog/current/undergraduate-catalog/enrollment.html>)

Graduate

<http://www.webster.edu/catalog/current/graduate-catalog/enrollment.html>
(<http://www.webster.edu/catalog/current/graduate-catalog/enrollment.html>)

Academic Calendar - <http://www.webster.edu/academics/academic-calendar/>
(<http://www.webster.edu/academics/academic-calendar/>)

Current tuition rates, policies, and procedures, including details of pro-rated tuition refunds, are available in the "Tuition, Fees, and Refunds" section of Webster's Academic Catalogs:

Undergraduate

<http://www.webster.edu/catalog/current/undergraduate-catalog/tuition.html>
(<http://www.webster.edu/catalog/current/undergraduate-catalog/tuition.html>)

Graduate

<http://www.webster.edu/catalog/current/graduate-catalog/tuition.html> (<http://www.webster.edu/catalog/current/graduate-catalog/tuition.html>)

Student Handbook and Other Important Policies

Student handbook and other non-academic policies may apply to you and may impact your experience in this class. Such policies include the student code of conduct, privacy, technology and communications, and more. Please review the handbook each year and be aware of policies that apply to you. The handbook is available at:

<http://www.webster.edu/student-handbook/> (<http://www.webster.edu/student-handbook/>)

Sexual Assault, Harassment, and Other Sexual Offenses

Webster University makes every effort to educate the community to prevent sexual assault, harassment, and other sexual offenses from occurring, and is committed to providing support to those affected when this behavior does occur. To access information and resources or to review the Policy on Sexual Assault, Harassment, and Other Sexual Offenses, visit:

<http://www.webster.edu/sexual-misconduct/> (<http://www.webster.edu/sexual-misconduct/>)

Research on Human Subjects

The Webster University Institutional Review Committee (IRB) is responsible for the review of all research on human subjects. The IRB process applies to all Webster University faculty, staff, and students and must be completed prior to any contact with human subjects. For more information on the IRB, visit:

<http://www.webster.edu/irb/index.html> (<http://www.webster.edu/irb/index.html>)

Course Evaluations

At the end of this course, you will have the opportunity to provide feedback about your experience. Your input is extremely valuable to the university, your instructor, and the department that offers this course. Please provide your honest and thoughtful evaluation, as it helps the university to provide the best experience possible for all of its students.

Important Technology Information

Connections Accounts

Webster University provides all students, faculty, and staff with a University email account through Connections. Students are expected to activate their Connections account and regularly check incoming University email. Students may choose to have their University email forwarded to an alternate email address. Connections account holders can call the Help Desk (314-246-5995 or toll free at 1-866-435-7270) for assistance with this setup. Instructions are also provided on the Information Technology website at:

<http://www.webster.edu/technology/service-desk/> (<http://www.webster.edu/technology/service-desk/>)

WorldClassRoom

WorldClassRoom is Webster's Learning Content Management System (LMS). Your instructor may use WorldClassRoom to deliver important information, to hold class activities, to communicate grades and feedback, and more. WorldClassRoom is available using your Connections ID at:

<https://worldclassroom.webster.edu/> (<https://worldclassroom.webster.edu/>)

Webster Alerts

Webster Alerts is the University's preferred emergency mass notification service, available free to current students, faculty and staff at all US campuses. By registering a valid cell phone number and email address, you will receive urgent campus text, voice mail and email communications. Valuable information concerning a range of incidents affecting you - from weather-related campus closures, class delays and cancellations, to more serious or life-threatening events - are immediately and simultaneously delivered through multiple communication channels. To register for Webster Alerts, visit:

<http://www.webster.edu/technology/services/webster-alerts/> (<http://www.webster.edu/technology/services/webster-alerts/>)

Campus Information
