

<b>Course unit code</b>	BE 222
<b>Course unit title</b>	Capital Budgeting

GENERAL INFORMATION			
<b>Study program</b>	Graduate study program: Business Economics	Year	1.
<b>Director of the course and assistant</b>	Ph.D. Dean Učkar, Associate Professor E-mail: duckar@unipu.hr		
<b>Course status</b>	Mandatory	X	Elective
<b>Credits allocated and type of lectures</b>			
	Winter semester	Summer semester	
<b>ECTS students workload</b>		7,5	
<b>Number of hours per semester</b>		75 (3L + 2S)	

#### Course objectives, teaching and learning methods and learning outcomes

This course focuses on the management of investment projects, the proper selection of investment projects and various specific characteristics of real investment projects. Special attention will be devoted to the implementation and management of investment projects with specific estimates of the future value of the project. After the course students will be capable to:

- 1. compare the results of different methods of investment project assessment**  
Activities: case analysis – team work; comparative analysis – individual work through semester  
Graduation methods: expose, colloquies, final exam
- 2. estimate investment project cash flow**  
Activities: case analysis – team work; comparative analysis – individual work through semester  
Graduation methods: expose, colloquies, final exam
- 3. determine the cost of capital for companies of different sizes and different capital structures**  
Activities: case analysis – team work; comparative analysis – individual work through semester  
Graduation methods: expose, colloquies, final exam
- 4. define and measure the risk of investment project**  
Activities: case analysis – team work; comparative analysis – individual work through semester  
Graduation methods: expose, colloquies, final exam
- 5. evaluate the real options**  
Activities: case analysis – team work; comparative analysis – individual work through semester  
Graduation methods: expose, colloquies, final exam

#### Requirements, correspondence and correlativity

The course is an upgrade to standard economic courses during the study, and his passing (acquisition of specific and generic competences) is also a prerequisite for mastering the content (and the acquisition of new competencies) of other courses. The course is carried out in a similar form at the University of Copenhagen, Department of Economics, Faculty of Economics in Sarajevo, Faculty of Economics in Zagreb and other higher education institutions.

#### Course content (list of topics)

The course content includes:

- The role and importance of investment decisions
- Rules of capital budgeting
- Selection of the optimal project

- Evaluation of project cash flow
- Analysis of internal and external sources of financing
- The risks of investment project
- Contemporary methods of project evaluation

#### Modes of instruction and acquiring knowledge (mark in bold)

<b>Lectures</b>	<b>Seminars and workshops</b>	<b>Exercises</b>	<b>Individual tasks</b>	Multimedia and internet
<b>Distance learning</b>	<b>Counseling</b>	Laboratory	<b>Tutorial</b>	Fieldwork

#### Student requirements

- class attendance
- seminar paper
- project assignments
- two colloquies
- final exam (oral exam)

#### Assessment and evaluation of students (mark in bold)

Attendance	Class participation	<b>Seminar paper</b>	Experimental work
Written exam	<b>Oral exam</b>	Essay	Research
<b>Project</b>	<b>Continuous assessment</b>	Report	Practical work

#### Assessment breakdown within the *European credit transfer system*

REQUIREMENTS	HOURS (estimation)	LEARNING OUTCOMES	SHARE IN ECTS	SHARE IN GRADE
Seminar	30	1 – 5	1	Maximum 12%
Project	30	1 – 5	1	Maximum 12%
Continuous evaluation (two colloquies)	90	1 – 5	1,5 (x2) = 3	Maximum 40% (20% + 20%)
Final exam (oral exam)	75	1 – 5	2,5	Maximum 36%

In order to approach the final exam, it is necessary to achieve during the class a minimal positive grade percentage in every segment (obligation). During the semester, students are required to complete the **seminar** (which may include the decomposition of certain topics, case analysis, research, etc.). During the semester students are obliged to make **project assignment** on subject assigned by teacher. There are **two colloquies** during the semester. At the end of semester students can approach to the **final exam** only if they succeeded in gathering minimally 20% of grade.

Student who justifiably didn't approach to colloquies or who didn't pass it, it is obliged to approach to the written exam before approaching final (oral) exam. The written exam is graded at the same way as colloquies.

Final grade is formed according to the results of colloquies, seminar paper, project assignment and final exam.

Through **seminar paper** it is possible to gather 12% of grade in a following manner:

Share in grade

Seminar isn't done	0%
Project formalization	1 – 3%
Subject coverage	1 – 3%
Readiness for presentation	1 – 3%
Encouragement for discussion	1 – 3%

Seminar won't be positively graded if mistakes are not corrected after teacher's annotations.

Through **project assignment** it is possible to gather 12% of grade in a following manner:

Share in grade

Project isn't done	0%
Project formalization	1 – 3%
Subject coverage	1 – 3%
Readiness for presentation	1 – 3%
Encouragement for discussion	1 – 3%

Project won't be positively graded if mistakes are not corrected after teacher's annotations.

**Colloquies** are graded in following manner:

Less than 50% of correct answers =	0% grade
51% to 60%	= 10% grade
61% to 70%	= 13% grade
71% to 80%	= 15% grade
81% to 90%	= 17% grade
91% to 100%	= 20% grade

**Final exam (oral exam)** is based on oral verification about the knowledge of total course matter, and will be graded in following manner:

Less than 50% of correct answers =	0% grade
51% to 60%	= 18% grade
61% to 70%	= 22% grade
71% to 80%	= 26% grade
81% to 90%	= 31% grade
91% to 100%	= 36% grade

According to the *Code of evaluation* the final grade is obtained as follows:

A = 90 – 100%	5 (excellent) = 89 – 100% of the grade
B = 80 – 89,9%	4 (very good) = 76 – 88,9% of the grade
C = 70 – 79,9%	3 (good) = 63 – 75,9% of the grade
D = 60 – 69,9%	2 (sufficient) = 50 – 62,9% of the grade
E = 50 – 59,9%	

## Bibliography

### Mandatory bibliography

Shapiro, A.C. (2005): *Capital Budgeting and Investment Analysis*, Pearson Prentice Hall, Upper Saddle River, New Jersey

### Additional bibliography

Titman, S., Martin, J.D. (2008): *Valuation – The Art and Science of Corporate Investment Decisions*, Addison-Wesley, Boston

Chandra, P. (2002): *Projects – Planning, Analysis, Financing, Implementation, and Review*, fifth edition, Tata McGraw-Hill, New Delhi

Branch, B. (1989): *Investments – Principles and Practice*, second edition, Longman

### Additional information on the course

#### Academic honesty

Students are obliged to follow the principles of academic honesty regulated by University Ethical code (document is available at web page [www.unipu.hr](http://www.unipu.hr)).

Discussions often lead to the confrontations of opinions. It is hard to avoid disagreements about topics on which students have strong opinion. In classroom it's necessary to set a limit of acceptable and unacceptable behavior, and some of them are:

1. Everyone have a right to be addressed with respect.
2. Everyone have a right to talk without interruption.
3. Everyone have a right to feel secure.
4. Nobody have a right to harass other students in classroom.

#### Communication with teacher

Communication with teacher outside the classroom it's done during the consultation. Everyday (two-way) communication it's possible through electronic mail, and occasional (one-way) communication it's done through link *S oglasne ploče* on Department web page (<http://oet.unipu.hr>) and on course web page. In electronic mail it's necessary to write a subject and to sign it.

#### Information about course

For educational purpose, PowerPoint presentations (and additional material) are put on Department web page: E-learning. Those presentations substantially follow the syllabus and can be used as on-line support for students about lectures done in classroom and as directions for further literature review. At the beginning of semester students will get the password necessary for accessing the course web page. It is important for students to regularly follow messages on web page.

#### Written papers

It is very important to follow directions about project assignment. Directions are available on Department web page: E-learning. Student needs to make project assignment and bring it to the teacher for insight before presentation. It is also important to consult a teacher about literature and other issues regarding project formalization. Correct grammar is necessity for project positive grade. Plagiarism won't be tolerated. Every paper needs to have following elements: cover page (consists of: name of the University and Faculty – on top; name of student and paper title – in the middle; JMBAG, course name, mentor's name, place and date of the paper – at the bottom), content, introduction, elaboration of subject (with chapters), conclusion and list of literature. Paper formalization it's also graded.