

Higher Colleges of Technology -Dubai
 Dubai Women's Campus
 BUS 2303 Financial Management
 Project Coversheet
 Level 3-Sem 1-2012/2013

PROJECT INFORMATION

Project 2 – Coursework: Case Analysis

Topic – Capital Budgeting Project

Project Summary (For further details please refer to Project Assessment Criteria):

In Financial Management Fundamentals course, you are required to analyze potential investments of a firm using capital budgeting techniques.

The objective of this project is to be able to

- Calculate and explain a variety of capital budgeting calculations – Payback period, Accounting rate of return and Net present value
- Evaluating capital investments using these techniques and taking decisions after considering the strengths and weaknesses of each of these techniques.

Word Limit/Page Limit: 3 – 6 pages

Submission Mode: Hard copy Or Soft copy

Percentage of Total Marks: 20 %

Project Due Date: Week 15

Contact Details for Concerned Teacher/s:

1. Dr. Sitalakshmi Ramanan Ext: 588

LEARNING OBJECTIVES:

Summary of Learning Outcomes -On completion of this project, student/s should know:

Project/Assignment Learning Outcomes	Course Learning Objective (from course outline)
1. Analyze potential investments of a firm using capital budgeting techniques	LO 3

STUDENTS TO COMPLETE THIS SECTION

NOTE: Please attach this page with your project. Your teacher/s will NOT accept your project

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unless a signed copy of this page is attached with your project.

Team Members:

1.	_____	St. ID. _____
2.	_____	St. ID. _____
3.	_____	St. ID. _____
4.	_____	St. ID. _____

IMPORTANT INSTRUCTIONS

1. Deadlines for Assessments and exams

All assessments must be submitted on the deadline at the set time in the appropriate format. Late submissions will have 5% deducted for each calendar day that they are late. After 7 days, the assignment will not be accepted and the student will receive zero for that assessment. It is the student's responsibility to solve any technical issues before the due date.

If a student is ill and misses a deadline, a medical note must be provided within 3 days. The student will be given a maximum extension equal to the number of days of documented illness based on teacher discretion. (for example, if a student is sick for 3 days, she will have a maximum of 3 days extra to submit her assignment). For group assessments, each situation will be considered on its own merits and the teacher will use their discretion.

If a student misses an exam or a presentation, she will receive zero. If a medical note is provided within 3 days of the exam date, an alternative assessment will arranged between the student and the teacher.

2. Plagiarism/Safe-Assign

To avoid plagiarism, students are required to submit all their assignments to Safe Assign on BB Vista before final submission. Please remember that HCT has ZERO tolerance policy towards cheating. If you have any questions related to Safe Assign, please consult with your instructor for clarification.

3. Referencing

To avoid plagiarism it is important for you to apply the Modern Language Association (MLA) standard of in-text referencing for any written work. If you need to know more about this referencing technique, please refer to: <http://nmasse.com/courses/common/mla/mla.php>

STUDENT DECLARATION

I/we certify that I/we have read and understood the instructions and the work attached is my/our own work.

Team Members:

1.	_____	Sign. _____
2.	_____	Sign. _____
3.	_____	Sign. _____
4.	_____	Sign. _____

FOR TEACHERS

MARKS AWARDED

(PLEASE WRITE COMMENTS AT THE BACK OF THIS SHEET)

Total Marks	Percentage	Grade

Capital Budgeting Case Study – School for Advanced Studies

A private school is considering investing in its own transport fleet (School buses). Currently, the transportation has been contracted to an outside organization.

The initial cost of the transport fleet would be AED 600 000. The life of the transport fleet would be five years, after which time the vehicles would have to be scrapped with no salvage value.

The management has come up with the following Revenues and Cost data for the next five years.

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	300,000	330,000	350,000	380,000	400,000
Drivers' Costs	33,000	35,000	36,000	38,000	40,000
Repairs & maintenance	8,000	13,000	15,000	16,000	18,000
Other Costs	130,000	135,000	140,000	136,000	142,000
Depreciation	120,000	120,000	120,000	120,000	120,000

To raise funds for the project your company is proposing to raise a long-term loan at **12% interest rate per annum**.

You are told that there is an alternative project that could be invested in using the funds which has the following projected results:

Payback period	= 3 years
Accounting rate of return	= 30%
Net present value	= AED140 000.

As funds are limited, investment can only be made in one project.

Note: The transport fleet would be purchased at the beginning of the project and all other expenditure would be incurred at the end of each relevant year.

Required:

1. Prepare a table showing the net cash flows over the life of the transport fleet project.
2. Calculate the following for the transport fleet project:
 - (i) Payback period
 - (ii) Accounting rate of return
 - (iii) Net present value
3. Write a short memo to the Investment Manager in your company explaining whether the company should invest in the transport fleet project or choose the alternative project available. You must clearly explain the reasons for your decision.

BUS 2303 – Case Study Marking Scheme

Name/Student ID:	
Topic/Project:	Individual Case Study Analysis – Capital Budgeting
Date:	
Assessor:	
Overall Grade:	

MARKING**Part 1: Net Cash Flows Table – 15 pts**

Correct calculation & depiction on the table of each year's cash flows: 3 pts x 5 years

Part 2: Application of Capital Budgeting Methods / Calculations – 70 pts

- (i) Correct calculation of the project's payback period: 20 pts*
- (ii) Correct calculation of the project's accounting rate of return: 20 pts*
- (iii) Correct calculation of the project's net present value: 30 pts*

Part 3: Memo / Recommendation – 15 pts

Correct recommendation to management with appropriate/sufficient explanation for the reasons of the decision

b

Comments:

7

Student Name:

Student ID:

Section:

ANSWERS:

1.

	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Flows					

2.

(i) Payback Period:

4

Student Name:

Student ID:

Section:

(ii) Accounting Rate of Return (ARR):

(iii) Net Present Value (NPV):