

#### Learning Goal #4: Understanding Project Analysis and Evaluation

**Definition:** Students will understand how to develop cash flow forecasts for a proposed project and evaluate those cash flows in order to arrive at a decision whether to accept or reject a project.

- Understand differences between income concepts and cash flow concepts
- Identify those cash flows that are incremental to the project
- Understand how to treat inflation in project valuation
- Be able to distinguish and identify related and unrelated projects in arriving at valuation decisions

**Objective and traits:** Students will demonstrate ability to evaluate projects whose cash flows are affected by other existing projects or proposed projects.

- Students can identify those cash flows that are incremental to the project dealing with sunk costs, incremental costs, excess capacity from existing projects and interactions with cash flows from other proposed projects
- Students understand inflation adjustments for cash flows and discount rates

Students were assigned a project evaluation case in FIN 790 in Fall term 2008 as an individual assignment to students who were not to work with or seek help from other students in the class. The individual assignment contributed to the student grade along with other cases assigned on a group basis. The assigned case is titled “Diamond Chemicals I” and can be found in the text by Robert Bruner titled Case Studies in Finance 5<sup>th</sup> edition, McGraw-Hill, 2005.