Course: FINA 6211 Cash Flows and Project Selection
Credits: 2 credits*
Prerequisites: MBA 6231 (previously MBA 6230)

Description

In MBA 6231 (Financial Management), you learned about the importance of cash flows and some basics of project selection with NPV and IRR. This course builds on this base knowledge to further develop the understanding of what drives cash flow and how accounting choices, decision rules, and stakeholder requirements can influence project selection. We discuss multiple methods for project ranking and selection and explore the strengths and weaknesses of the various techniques.

Objectives

- Understand drivers of free cash flow
- Calculate the value of the depreciation tax shield with different depreciation methods
- Understand and calculate the amortization tax shield
- Differentiate between relevant and non-relevant cash flows
- Rank projects based upon different ranking criteria:
    - Payback and Discounted Payback
    - Net Present Value
    - Internal Rate of Return
    - Benefit/Cost Ratio
    - Equivalent Annual Cost
    - Economic Value Added
    - Return on Invested Capital
- Discuss the role of competing interests of the firm and stakeholders for use of scarce resources
- Use Excel to build project valuation models and use Excel's tools to test input variables and sensitivity of the project to changes in inputs

Learning Outcomes

Students will exit this course with a better understanding of cash flows and project selection for the firm. They will be able to understand the competing influences for a company's resources and how that affects project value. They will be able to choose preferred methods for project ranking given firm constraints. They will be able to build models for project analysis with moderately complex model development skills.

Effective in Spring 2025, FINA 6211 has transitioned to 2 credits. Students that previously took class as 1 credit version are not eligible to repeat the class for credit towards their degree.

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