



**ERCIYES UNIVERSITY**  
**FACULTY OF ECONOMICS & ADMINISTRATIVE**  
**SCIENCES**



**I. GENERAL INFORMATION**

Course Name:

Code	Instructor	Department	Semestr/Year	Lectured in:	Must / Elective	Course Level	Course Type	LC	ECTS
BUS. 306	PROF. DR. İ. HAKKI SÖNMEZ	Business	Spring / 3	English	Must	Basic	Core	3	5
BUS. 306	PROF. DR. İ. HAKKI SÖNMEZ	Economics	Spring / 2	English	Elective	Basic	Minor	3	4

Instructor	E-mail
PROF. DR. İ. HAKKI SÖNMEZ	isonmez@erciyes.edu.tr

**II. COURSE INFORMATION**

**COURSE OBJECTIVES**

The ultimate goal of this course is to stress the understanding of the long-term investment decision of a business firm and the use of techniques in investment project evaluation. Special emphasis is placed on the comparison of methods used in the evaluation of risky projects.

**COURSE DESCRIPTION**

The topics that will be covered in the course are as follows: investment policy of a firm, management of fixed assets, capital budgeting techniques: average rate of return, payback period, net present value, internal rate of return, and profitability index, evaluation of risky investment projects.

**COURSE METHODOLOGY**

The class will be conducted in lecture format. Students will be encouraged to participate in class discussions by raising questions and making comments.

**COURSE REQUIREMENTS**

Students are expected to attend classes and participate in class discussions. They are supposed to read the relevant subjects according to course outline given on a weekly basis, before attending the classes. Students are expected to know mathematics of finance, especially, present and future value of money, annuity calculations.

**GRADING INFORMATION & CRITERIA**

30% of the midterm exam and 70% of the final exam constitute the raw grade of the course. Raw grade is then converted into letter grade through the curve system. The outcomes are e-mailed to the students.

The students who are subject to the previous grading system are required to receive a grade of at least 50 points from the final exam. The course grade which also must be at least 50 points is the weighted average the midterm exam and the final exam. The weights are 40% and 60% respectively.

**REQUIRED & PROPOSED MATERIALS**

İ. Hakkı Sönmez, Lecture Notes (Available in the book store.)

Eugene F. Brigham and Louis C. Gapenski, Financial Management: Theory and Practice, 8th Edition, Dryden Press.

James C. Van Horne, Fundamentals of Financial Management, 12th Edition, Prentice Hall, 2004.

Lavrence D. Schall and Charles W. Haley, Introduction to Financial Management, 5th Edition, McGraw-Hill Co., 1990.

Present and future value tables, calculators.

**EXTRA INFORMATION**

Practice with numerical problems is essential to an understanding of the capital budgeting techniques.

**COURSE OUTLINE**

I. Fundamental Concepts and General Subjects

1. Week: Investment policy of a firm, the importance of capital budgeting, differences between current and fixed assets.
2. Week: Why do firms make long-term investments? and factors that play important role in investment decisions.

## II. Techniques Used in Project Evaluation

3. Week: Average Rate of Return Method
4. Week: Payback Period Method.
5. Week: Mathematics of finance; compound interest, present value, future value of an annuity and present value an annuity.
6. Week: Net Present Value Method
7. Week: Profitability Index Method
8. Week: Mid-term Exam
9. Week: Internal Rate of Return Method

## III. Evaluation of Risky Investment Projects

10. Week: Analysis of risk in investment decisions and the measurement of risk.
11. Week: Risk-adjusted Discount Rate Method
12. Week: Certainty Equivalent Method
13. Week: Probability Distribution Approach for Capital Budgeting
14. Week: Final Exam