



Syllabus

Investment Project Evaluation

August – December 2024

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MBA

I. General information about the course

Subject:	Investment Project Evaluation		
Requisite:	Management Strategy	Código:	10297
Precedente:	N/A	Semester:	2024-2
Crédits:	3	Cycle:	X
Weekly Hours:	4 horas	Type of the course:	In Person
Career(s)	Obligatory Corporate Law	Course Coordinator	Julio Quispe jquispe@esan.edu.pe

II. Summary

The course presents methodologies, concepts and techniques for economics and financial evaluation of investment projects.

Topics: General concepts about projects formulation, types and viability of projects, schedule of a project, structure of investments, current assets and working capital investments. Economic forecast: profits and loss statement, cash flow and balance sheet. Depreciation, taxes and amortization uses. Project evaluation indicators: NPV, IRR, cost benefit analysis, recovery time. Economic and finance evaluation. Financing alternatives and structures. Financing costs, financial forecasting, debt capital ratio.

III. Course Objectives

The course objective is to facilitate the understanding of concepts and basic principles of the theory of investment evaluation and capital budgeting, while making use of specialized information. Analysis of cash flows and the discount rate determines the valuation and capital budgeting and sensitivity analysis of cash flow. The course objectives are:

- Understand purpose of investments evaluation in financial decisions.
- Know financial and economic tools that are important to prepare and forecast cash flows before an evaluation of a project.
- Obtain knowledge about concepts and methods used in investments evaluation.
- Understand financing alternatives for companies and their relevance in financing structure.
- Know social evaluation process and its legal framework.
- Comprehend financial investments process.

IV. Learning Results

After completing this course, the student will:

- Recognize investments evaluation importance in financial decisions.
- Know the tools that are necessary for the development of information and financial projections and how they affect the evaluation of investments.
- Apply private evaluation techniques.
- Comprehend social evaluation process, its methodologies and framework.
- Know main financial instruments and valuation techniques.

V. Methodology

Classes will be held encouraging the active participation of students. The teacher will fulfill his role as guide, counselor and facilitator of the learning process. Teamwork is highly important to enforce knowledge and student competences development.

Classes will be held encouraging the active participation of students. The teacher will fulfill his role as guide, counselor and facilitator of the learning process. During the course, students will analyze various investment research as well as develop a research paper on the analysis of an investment valuation of a company putting into practice all the knowledge acquired to date. Each student shall submit a written report and individual research work.

After each class, you should also complement the theme worked with the texts listed in the additional reading recommended and if necessary, consult with the respective teachers during the scheduled week. Special emphasis is placed on the developed cases during group assignments/workshops with compulsory presence in the classroom.

It is desirable that before each class participants read, the recommended text, the subject to be treated so that you can ask any questions you believe are relevant. Also, after each class, you should also complement the theme worked with the texts listed in the additional reading recommended and if necessary, consult with the respective teachers during the scheduled week. Special emphasis is placed on the developed cases during group assignments/workshops with compulsory presence in the classroom.

VI. Evaluation

The evaluation system is permanent and integral. The course grade is obtained by averaging the continuous assessment (60%), the midterm (20 %) and final exam (20%).

The average of the ongoing evaluation results from the ongoing evaluation average reading control, case studies, quizzes, final project and other activities considering the weighted table. The weights within the ongoing evaluation are described in the following table:

Average of the Ongoing Evaluation 60%		
Type of Evaluation	Description	Weight %
Reading Controls	4 reading controls	30
Practical Cases	4 Cases	30
Final Project	Group Research Paper	30
Class Attendance	Class Attendance	10
Participation	Participation	

The final grade average is obtained by:

$$FG = (0, 20 \times \text{Midterm}) + (0, 60 \times \text{Average Ongoing Evaluation}) + (0, 20 \times FE)$$

Legend:

FG = Final Grade
ME = Midterm Exam
AOE = Average Ongoing Evaluation
FE = Final Exam

VII. Course Content

WEEK	CONTENT	ACTIVITIES / EVALUATION
1° From August 19th to August 24th	1. Project Evaluation 1.1. General Concepts 1.2. Objective 1.3. of the Firm 1.4. Types of Projects	
	- Sapag: Chap. I Introductory Concepts	
	2. Project Evaluation 2.1. Viability of a project 2.2. Project stages	Case 1
	- Sapag: Chap. I Introductory Concepts	
2° From August 27th to August 31th	3. Forecasting 3.1. Macroeconomic Indicators 3.2. Microeconomic Indicators 3.3. Other indicators 3.4. Information sources for forecasts: MEF, BCR, others.	Qualified Practice 01
	- Sapag: Chap. II Market behavior: economic framework	
3° From September 02th to September 07th	4. Financial Statements analysis 4.1. Financial Statements: Balance Sheet 4.2. Financial Statements: Profits and losses 4.3. Depreciation and amortization treatment. 4.4. Financial Indicators	
	- Bodie & Merton: Chap. III Financial Statements meaning. - Handout in class	
4° From September 09th to September 14th	5. Cash Flow 5.1. Cash Flow forecast 5.2. Income tax treatment	Case 2
	- Bodie & Merton: Chap. VI Capital budget: basics.	

<p>5°</p> <p>From September 16th to September 21th</p>	<p>6. Project evaluation principles 6.1. Capital budgeting process 6.2. Investment proposals process 6.3. Investments proposals evaluation and selection. 6.4. Capital budgeting approval and control.</p> <p>- Bodie & Merton: Cap. VI Capital budget: basics.</p>	<p>Qualified Practice 02</p>
<p>6°</p> <p>From September 23th to September 28th</p>	<p>7. Project Evaluation Methods: discounted cash flow. 7.1. Net present value method (NPV) 7.2. Discount rate 7.3. NPV examples 7.4. Internal Rate of Return method</p> <p>- Bodie & Merton: Cap. IV Time value of money</p>	<p>Review of Partial Exam</p>
<p>7°</p> <p>From September 30th to October 05th</p>	<p>8. Project Evaluation methods: other methods 8.1. Cost Benefit Method 8.2. Investment recovery time 8.3. Accounting internal rate</p>	
<p>8°</p> <p>From October 07th to October 14th</p>	<p>MID TERM EXAM</p>	
<p>9°</p> <p>From October 15th to October 19th</p>	<p>9. Economic and financial evaluation 9.1. Financing structure 9.2. Financing and structuring alternatives 9.3. Financing sources costs 9.4. Cost of capital 9.5. Capital debt ratio and its effects 9.6. Weighted adjusted cost of capital – WACC</p> <p>- Bodie & Merton: Chap. XVIII Capital structure</p>	
<p>10°</p> <p>From October 21th to October 26th</p>	<p>10. Social Project Evaluation: General concepts 10.1. Social prices 10.2. Social value of time 10.3. Social NPV calculus 10.4. Minimum cost projects</p>	<p>Case 3</p>
<p>11°</p> <p>From October 28th to November 02th to June 10th</p>	<p>11. Social Evaluation Methodology 11.1. Cost Benefit approach - NPV 11.2. Cost efficiency approach - CAE 11.3. Primary services projects</p>	<p>Qualified Practice 03</p>
<p>12°</p> <p>From November 04th to November 09th</p>	<p>12. Evaluation of financial investments 12.1. Fixed Income assets - concepts 12.2. Valuation 12.3. Exercises</p> <p>- Bodie & Merton: Cap. VIII Fixed Income Valuation: Bonds, or - Smart, Gitman & Joehnk; Chap. 10</p>	

<p>13°</p> <p>From November 11th to November 16th</p>	<p>13. Evaluation of financial investments</p> <p>13.1. Equities - concepts</p> <p>13.2. Valuation</p> <p>13.3. Exercises</p> <hr/> <p>- Bodie & Merton: Chap. IX Equities valuation, or</p> <p>- Smart, Gitman & Joehnk; Chap. 8</p>	<p>Case 4</p>
<p>14°</p> <p>From November 18th to November 23th</p>	<p>14. Evaluation of financial investments</p> <p>14.1. Mutual Funds - concepts</p> <p>14.2. Valuation</p> <p>14.3. Exercises</p> <hr/> <p>- Smart, Gitman & Joehnk; Chap. 12</p>	<p>Qualified Practice 04</p>
<p>15°</p> <p>From November 25th to November 30th</p>	<p>Term Paper Presentation</p> <p>Review Final Exam</p>	
<p>16°</p> <p>From December 02th to December 07th</p>	<p>FINAL EXAMS</p>	

VIII. Bibliography

Main Bibliography:

- Zvie Bodie and Robert Merton, Finance, Prentice Hall, Pearson
- Nassir Sapag Chain, Proyectos de Inversión: Formulación y evaluación, Pearson 2007.

For Additional information:

- Stephen A. Ross, Randolph Westerfield & Jeffrey Jaffe, Corporate Finance, Ninth Edition
- Smart, Gitman & Joehnk, Fundamentals of Investing, Pearson 2017

IX. Professor

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