**EFFECTIVE FINANCIAL MANAGEMENT**

**Learning Outcome 5: ACTIVITY 2**

**Nature and characteristics of investment appraisal techniques**

Often, the initial investment that is needed to finance the acquisition of an asset that is needed to undertake a project can be significant.

Decision making in this area of financial management can be complex. These decisions are made relatively infrequently and as such managers in the organisation may have limited experience of them.

Look back to the results of your analysis in LO3 Activity 1.

#### Required: in small groups

Identify a business with which you are familiar. This could be a multinational company from which you have purchased goods/services, a business that owns your favourite brand or the business for which you work (or wish to work in the future).

Ideally this should be the business you chose earlier to re-visit throughout your classroom activities.

From your research:

1. Identify and explain the nature and characteristics of the following investment appraisal techniques:
   1. Payback
   2. Accounting rate of return
   3. Net present value
2. Consider your chosen organisation and the investment decisions that it might have taken (or might need to take in the near future). Discuss, using the results of your explanation in (1), which of the investment appraisal techniques would be most suitable for your chosen organisation.
3. Prepare a short presentation on your findings.