**EFFECTIVE FINANCIAL MANAGEMENT**

**Learning Outcome 5: ACTIVITY 3**

**Evaluation of investment appraisal techniques**

Businesses tend to use more than one investment appraisal technique There is no ‘best’ technique. The selection of an investment appraisal technique needs to reflect the needs of the business.

Look back to the results of your analysis in LO5 Activity 2.

#### 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. Reflect on the nature and characteristics of the investment appraisal techniques that you identified in LO5 Activity 2:
   1. Payback
   2. Accounting rate of return
   3. Net present value
2. Identify and explain the advantages and disadvantages of each of the investment appraisal techniques that you considered in (1).
3. Consider your chosen business. Identify and justify which investment appraisal technique might be most suitable for use by your chosen business.
4. Prepare a short presentation on your findings.