**CORPORATE FINANCE**

**Learning Outcome 4: 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.

#### Required: in small groups

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
   4. Internal rate of return
2. Consider your chosen organisation (used in previous Activities) 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.