Content: Problems and concept questions (T/F, completion, etc.)
Format: 25 questions, 50 minutes, multiple-choice
Bring: pencil, eraser, calculator, scan form (#19641), cheat-sheet

Topic	Questions
Capital Budgeting: Basics	Importance: How to maximize shareholder wealth
	Classification of projects: normal v. non-normal, independent v. mutually exclusive
	Payback period: calculation, shortcomings DCF methods (NPV, IRR, MIRR): Calculation, interpretation, interrelationships
	Advantages of NPV: differences in scale, timing Problems with IRR: mutual exclusion, non-normal projects, multiple IRRs
Capital Budgeting: Project Cash Flows	Relevant cash flows: incremental Estimate initial, operating, terminal cash flows, including depreciation allowances and taxes
	Mis-use of NPV: Mutually exclusive, replicable projects with unequal lives; remedy: replacement chain, equivalent annual annuity (EAA)
Capital Budgeting: Project Risk	Types of project risk (stand-alone, within-firm (corporate), market) and their interrelationships Estimate risk-adjusted discount rates, divisional cost of capital
Optimal Capital Budget	What it is (simultaneously finds MCC and optimal capital budget)
	Problems with capital rationing: may fail to take all positive NPV projects; may create mutual exclusion