THE UNIVERSITY OF TOLEDO

COLLEGE OF BUSINESS AND INNOVATION

FINA 4670: Advanced Financial Management

Finance Simulation: Capital Budgeting

Project #2

Write-up:

- The project analysis is worth 50 points. You are to work on this analysis with your group and submit a wholesome, final answer that reflects the opinion of your group relative to the questions outlined below.
- When grading, I will pay attention to both the content of your analysis (your numbers, your reasoning, your interpretation of the results) as well as the form in which you present the results (is it easy to read, is the supporting information organized efficiently etc). DO NOT LEAVE THE FINAL WRITE-UP ON THE LAST MINUTE!!! An efficient write-up should contain:
    - Summary – summarize the most important conclusions of your analysis in no more than half a page
    - Analysis – be concise; <u>your analysis should not be more than five pages</u> (without counting the supporting documentation, appendix etc).
    - Supporting documentation/appendix – details for each decision making; include justifications for each of your assumptions!

<u>Questions</u> - make sure your report include the following parts:

1. Background information:
    a. What is the role of each division? How are the "roles" related?
    b. Do you have a budget constraint? If so, what is it?
    c. What general effects should we expect from the constraint?
2. Analysis for year 1:
    a. *Suppose this is the only year in the simulation*, what is the optimal allocation of the budget for the first year?
    b. Do you have an algorithm for maximizing value in year 1? If so, what is it?
3. Analysis for year 2-5:
    a. What is your budget allocation for each year?
    b. What algorithm did you use to select the projects?
4. Outcomes:
    a. Display 2014 APV and accumulated operating cash flow.
    b. List the decision histories for each year.
    c. Is the actual performance different from the predicted one? Why?
    d. Does your performance beat my benchmark?