

BA 4815 /BA 5815 – PROJECT EVALUATION AND FINANCING
Course Schedule (Friday, 12:40-16:15)

Instructor:	Dr. Erkan Uysal
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Office Hours:	Friday, 16:15-17:15
Course Web Page:	Link to ODTUClass Course Page

Course Description:

This course deals mainly with the design and analysis of new investment projects. For this purpose, a step-by-step approach for the preparation of project feasibility studies will be presented briefly after clarifying the interrelationships among basic concepts, such as planning, programming, project system, and investment.

The course heavily focuses on methods and techniques used in appraising private and social profitability of new investment projects. Additionally, a subject of greater interest in this course will be the description and discussion of various statistical methods and simulation techniques which have found wider application in determining and measuring the degree of risk associated with investment projects. Moreover, the effect of inflation as a critical factor in evaluating investment projects will also be discussed in detail within the context of risk analysis.

Furthermore, project financing methods such as leasing, venture capital, private equity, and build-operate-transfer (BOT) will be explained and discussed with respect to implications for Turkish economic environment.

Course Student Learning Objectives: (CSLOs)

Upon successful completion of this course, students should be able to:

Course Specific Skills:

1. Understand the importance of investment projects from both macroeconomic and corporate perspectives
2. Analyze a new market and develop a marketing strategy to introduce a new product
3. Understand facility location problems and use management science techniques to solve these problems
4. Analyze and compare alternative technologies to select with regards to optimal capacity
5. Understand the cost structure of a newly established production facility
6. Understand the concept of time value of money and its significance in evaluation of investment projects
7. Generate proforma financial statements by using the information generated from the marketing analysis and the technical analysis
8. Understand the importance of the concept of cost of capital in relation to determining discount rate
9. Be able to use of concepts such as NPV, IRR, MIRR etc.
10. Analyze the effects of inflation in project evaluation
11. Describe the risks associated with investment projects
12. Understand the nature and risks of international investment projects and differences from domestic investments
13. Build business model in excel spreadsheet to analyze the effects of managerial decision on financial statements
14. Learn the concepts and techniques to deal with associated risks in new investment projects
15. Develop simulation models to evaluate new investment projects
16. Understand project financing methods such as BOT, leasing, venture capital etc.
17. Develop decision making skills

Discipline Specific Skills:

18. Understand the interaction between core business functions such as marketing, production and finance
19. Integrate marketing and production data into financial analysis
20. Identify the international aspects of business functions

Personal and Key Skills:

21. Develop writing and discussion skills
22. Develop problem solving skills by using computer models
23. Learn to apply theoretical information into real life business problems
24. Learn to build spreadsheet models to analyze business decisions

Learning and Teaching Methods:

This course is going to make use of formal lectures, in-class discussions and problem solving, term-paper assignment, and weekly recitation hours.

Required Reading:

1. Sariassan Halil; **Planning and Analyzing Foreign Direct Investment Projects: Emerging Research and Opportunities**, IGI Publications, 2018.
2. Sariassan Halil; **Yatırım Projelerinin Hazırlanması ve Değerlendirilmesi**, Turhan Kitabevi, Ankara, 2006.
3. Brealey, Richard A. , Myers, Stewart C.; **Capital Investment and Valuation**, McGraw-Hill Professional, 2003.

Suggested Reading:

1. Erkan Uysal, '**Using Black-Scholes Option Pricing Model When Appraising Investment Projects**', Faculty of Political Sciences Journal, vol. 56, no. 1, January - March 2001, pp. 46-65.
2. Erkan Uysal, '**Inefficiency of Using DCF Technique in Investment Project Analysis**', Science Journal of Turkish Ground Forces Military Academy, Spring 2001, pp. 31-44.
3. Denis Babusiaux, Axel Pierru, **Capital Budgeting, Investment Project Valuation and Financing Mix: Methodological Proposals**, European Journal of Operational Research, Volume 135, Issue 2, 1 December 2001, pp. 326-337.
4. Magne Emhjellen, Chris M. Alaouze, **Project Valuation When There Are Two Cashflow Streams**, Energy Economics, Volume 24, Issue 5, September 2002, Pages 455-467.
5. Samis, Michael R., Loughton, David and Poulin, Richard, **Risk Discounting: The Fundamental Difference between the Real Option and Discounted Cash Flow Project Valuation Methods**, September 9, 2003, Kuiseb Minerals Consulting Working Paper No. 2003-1.
6. Richard S. Ruback, **Capital Cash Flows: A Simple Approach to Valuing Risky Cash Flows**, Financial Management, Vol. 31, No. 2 (Summer, 2002), pp. 85-103.
7. Ljungqvist, Alexander and Richardson, Matthew P., **The Cash Flow, Return and Risk Characteristics of Private Equity**, January 2003, NBER Working Paper No. W9454.

Assessment and Grading:				
Form of Assessment	% Contribution	Size of the assessment	CSLOs covered by the assessment	Feedback Method
Written Examinations	65	60-minute essay-type examination	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24	Written
Written Assignments (Term-Paper)	25	Self-study hours (10 + hours)	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24	Written
In-class activities	10	In-class discussions	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24	Attendance and Class Participation

There will be no "extra" work above the aforementioned grading.

Make-up Examinations: There will be no make-ups for exams or assignments. If you have a time conflict, please contact the instructor ahead of time.

Important Note About Re-sit (Bütünleme) Exams: Please note that re-sit exams are no longer given at METU.

Incompletes: A grade of incomplete will not be granted except for the most extreme circumstances and only after stringent verification and approval by the Department. A grade of incomplete will be granted only as a result of circumstances beyond the student's control. A grade of "I" is not given in lieu of an "FF".

Course Policies:
<p>COURSE REQUIREMENTS: Attendance is compulsory in this class. Regularly attending classes, reading the related course material and class participation will definitely enhance the performance of the student.</p> <p>TEARM-PAPER: There will be a term-paper covering all the topics included in the course. Interim reports will be required during the semester. Please remember that it is the student's responsibility to follow the due dates for all the written assignments to be submitted.</p> <p>READING ASSIGNMENTS: The lectures will stress the most important and/or most difficult material. Students are strongly recommended to read the related parts of the course materials before the class.</p> <p>STUDENT DISABILITIES: Any student, who, because of a disabling condition, may require special arrangements in order to meet course requirements, should contact the instructor as soon as possible. Students should present the appropriate documentation from the university's <u>Disability Support Office</u> (Engelsiz ODTÜ Birimi, ODTÜ Kütüphanesi, Solmaz İzdemir Salonu, Tel: 210.7196; engelsiz@metu.edu.tr) verifying their disability, and outlining the special arrangements required. Please note that no accommodations will be provided to the disabled students prior to the completion of this approved University process.</p> <p>ACADEMIC DISHONESTY: The Department of Business Administration has no tolerance for acts of academic dishonesty. Such acts damage the reputation of METU, the department and the BS degree and demean the</p>

honest efforts of the majority of the students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

CHEATING: All university, faculty/institute, and department principles on academic honesty will be strictly enforced. The usual consequence for academic dishonesty is failure of the course and referral of the case to the Dean of the Faculty for additional disciplinary action. Examinations are individual and are to be completed without outside assistance of any sort. Persons observed cheating during examinations will receive a failing grade in the course. Homework assignments are individual, unless otherwise specified by the instructor, and are to be completed without outside assistance of any sort, as well. Persons observed cheating in their homework assignments will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

PLAGIARISM: The instructor assumes that students will do their own work. By placing their names on assignments (individual or team), students are affirming that the contents are their original work. Any previous work available from files or past students, as well as materials available on the internet may be used only as a suggestive model. Violation of this provision will be considered as unethical behavior, subject to disciplinary action. If you have any doubt about the use of a specific material, see the instructor ahead of time. Any material used from outside sources should be referenced appropriately. Persons observed to plagiarize while preparing assignments will be referred to the Dean of the Faculty for additional disciplinary action and also they will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

METU HONOR CODE

Every member of METU community adopts the following honor code as one of the core principles of academic life and strives to develop an academic environment where continuous adherence to this code is promoted.

"The members of the METU community are reliable, responsible and honorable people who embrace only the success and recognition they deserve, and act with integrity in their use, evaluation and presentation of facts, data and documents."

CIVILITY IN THE CLASSROOM: Students are expected to assist in maintaining a classroom environment which is conducive to learning. In order to assure that all students have an opportunity to gain from time spent in class, unless otherwise approved by the instructor, students are prohibited from using laptop computers and cellular phones, making offensive remarks, reading newspapers, sleeping, or engaging in any other form of distraction. Inappropriate behavior in classroom shall result, minimally, in a request to leave class.

Past observations showed that the METU classroom experience is improved when the following are true:

Students arrive on time. Timely arrival ensures that classes are able to start and finish at the scheduled times. Timely arrival shows respect for both fellow students and faculty and it helps to create a better learning environment by reducing avoidable distractions.

Students are fully prepared for each class. Much of the learning in this course takes place during classroom discussions. When students are not prepared, they cannot contribute to the learning process. This affects not only the individual but also the classmates who count on them.

Students respect the views and opinions of their colleagues. Disagreement and debate are encouraged; however, intolerance for the views of others is unacceptable.

Cell phones are turned off.

STUDENT EXCUSES: Unless you inform me in advance, I will not excuse you from any of the grade requirements. At the same time, this does not mean that I will allow you to miss a test or an assignment

with any excuse that you present to me. Please note that the excuse is acceptable for only the most extreme circumstances and only after stringent verification and approval by the Department.

KNOW YOUR RIGHTS AND RESPONSIBILITIES! <http://oidb.metu.edu.tr/en/academic-rules-and-regulations>

NOTE THE IMPORTANT DATES ON THE ACADEMIC CALENDAR! <http://oidb.metu.edu.tr/en/academic-calendar>

The instructor assumes that students who attend the next class have understood and accepted to agree with all the requirements and rules of this course.

Good luck to all of you and let's have a very enjoyable semester together!! SD

