

U6016: Cost-benefit analysis
School of International and Public Affairs, Columbia University
FALL 2003
Lecture outline

I. FINANCIAL APPRAISAL

A. Appraisal techniques: an heuristic overview

B. Discounting and present value analysis

1. Motivation and rationale
2. Present value: definition and some formulae
3. Choice of discount rate
4. Treatment of inflation

C. Appraisal criteria

1. Net present value
2. Internal rate of return
3. Benefit-cost ratio
4. Payback period

D. Operational issues

1. Considering mutually exclusive alternatives
2. Treatment of opportunity costs
3. Treatment of sunk costs

E. Review: constructing cashflow profiles

1. cashflows vs. income/expenditure
2. depreciation
3. accounts receivable/accounts payable
4. working capital
5. cashflows from different perspectives
6. liquidity planning