

Pre-investment Review of Financial Models

Learning program



Target audience



- CFOs, finance business partners, investment managers, investment / financial / credit analysts, management accountants, project managers, internal auditors.

Why PwC Academy?



- Systematic approach to training.
- Case studies and examples.
- Specially designed study materials and financial models.
- Useful practical tools and tips.

Timing and delivery



8 academic hours

Sessions can be in-person or delivered virtually:

- 1 day (9.00 – 16.30)
- 2 webinars (9.00 – 12.15)

Learning objectives:

- 1 Understand the process of investment decision-making.
- 2 Discuss and justify the assumptions made in investment appraisal.
- 3 Know the common capital budgeting mistakes that managers make.
- 4 Apply techniques that quantify and present risk to stakeholders.
- 5 Select and apply techniques for managing risk and uncertainty in capital projects.



An investment project is a serious venture for a company that differs from day-to-day operations in terms of costs and time horizon. Both factors increase the uncertainty and risks of the project. The probability of project failure is maximum at the initial stage and minimum at the completion stage, which emphasises the importance of the **pre-investment review of the financial model**.

Topics to be covered:

General logic of investment project appraisal

- Assumptions and constraints. Financial model templates.
- Investment decision criteria for a standalone project and portfolio of projects.
- Behavioral considerations of the investment decision-making process.

Justification of the input parameters and common capital budgeting mistakes

- Defining the projection horizon.
- Incorporating economic responses into the revenue and operating expenses (OPEX) projection.
- Over-/underestimating overhead costs.
- Handling sunk costs and opportunity costs.
- Capital expenditure (CAPEX) justification.
- Appropriate discount rates.
- Appropriate decision criteria.
- Accounting investment alternatives.

Dealing with risk in investment appraisal decisions

- Sensitivity analysis.
- Scenario analysis.
- Monte Carlo simulation.
- Stress testing.
- Value at risk (VaR).
- Decision trees and multi-stage decision problems.
- Real options.
- Adding a risk premium to the discount rate.

Contact



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