

Lesson: Rate of Return

Objectives:

Ch. 7

1. Describe the meaning of rate of return (ROR).
2. Calculate the ROR on a simple cash flow.
3. Describe the potential pitfalls of ROR analysis.
4. Understand how multiple ROR can be obtained.
6. Obtain an ROR for a bond investment.

Ch. 8

1. Describe why incremental rate of return is necessary.
2. Calculate incremental cash flows.
3. Explain the meaning of ROR on the extra investment.
4. Determine the ROR of a bond investment.

Assignment:

1. Read chapters 7.

Homework: (do the following by hand unless otherwise stated)

7.7, 7.11, 7.18 (use Excel), 7.25, 7.48, 7.54