

Lesson: Rate of Return

Objectives:

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. Evaluate ROR on the incremental cash flows.
5. Select correct project based on ROR of the incremental cash flows.
6. Describe the process of selecting between multiple alternative using the ROR of the incremental cash flows.

Assignment:

1. Read chapter 8.

Homework: (do the following by hand or in Excel, as appropriate or required)

8.6, 8.16, 8.18, 8.25. USE EXCEL to solve 8.29