CONCEPT

# Corporate Finance: Capital Budgeting, Cost of Capital and Financing Decisions



**Corporate Finance: Capital Budgeting, Cost of Capital and Financing Decisions**

## Introduction:

Many organisations approve capital projects on optimistic spreadsheets, use a hurdle rate nobody can defend, and set borrowing and dividend levels by habit rather than by value. This one-week Corporate Finance course from CoreConcept addresses those gaps by building practical capability in the three core decisions of the firm: where to invest, how to fund it and what to return to shareholders. Participants apply capital budgeting methods, estimate the cost of capital, test capital structure and working capital choices, and finish by building a Capital Allocation Decision Pack for a live investment proposal.

## Course Objectives:

- Evaluate capital investment proposals using NPV, IRR, MIRR, payback and profitability index, and recommend accept or reject decisions with stated assumptions.
- Estimate the cost of equity with CAPM and calculate a defensible WACC and project-specific hurdle rates.
- Assess capital structure and financing options, including bank debt, bonds, sukuk and equity, against cost, risk and flexibility criteria.
- Recommend a dividend and share buyback policy consistent with the firm's cash generation, investment needs and shareholder expectations.
- Improve working capital performance by analysing the cash conversion cycle and setting receivables, inventory and payables targets.
- Estimate enterprise and equity value using free cash flow DCF and trading multiples to test whether decisions create value.

## Target Audience:

- Finance professionals responsible for appraising and approving capital expenditure proposals
- Treasury staff accountable for funding, liquidity and relationships with lenders and investors
- Planning and analysis professionals who prepare budgets, forecasts and investment business cases
- Financial control staff responsible for cash flow, working capital and reporting to management
- Investment and business development analysts who evaluate projects, assets and growth options

## Course Outline:

### Day 1: Corporate Finance Foundations and Value Creation

- Three Core Decisions Map: Investment, Financing and Payout
- Shareholder Value Maximisation and Agency Cost Review
- Time Value of Money: Compounding, Discounting and Annuity Factors
- Free Cash Flow Definition from Operating Profit to Cash
- Corporate Finance Health Check of a Sample Company

### Day 2: Capital Budgeting Methods and Project Appraisal

- Relevant Cash Flow Identification: Sunk, Incremental and Opportunity Costs
- Net Present Value and Profitability Index Calculation
- IRR, MIRR and Multiple IRR Pitfalls
- Payback and Discounted Payback Period Analysis
- Capital Rationing and Project Ranking Matrix

### Day 3: Cost of Capital and WACC Estimation

- Cost of Equity Using CAPM: Risk-Free Rate, Beta and Equity Risk Premium
- Cost of Debt and After-Tax Borrowing Rate Estimation
- WACC Calculation with Market Value Weights
- Divisional and Project-Specific Hurdle Rate Adjustment
- Sensitivity, Scenario and Break-Even Analysis on Project NPV

### Day 4: Capital Structure, Payout Policy and Working Capital

- Modigliani-Miller, Trade-Off and Pecking Order Theories Applied
- Financing Options Comparison: Bank Loans, Bonds, Sukuk and Equity
- Dividend Policy and Share Buyback Decision Framework
- Cash Conversion Cycle Analysis and Working Capital Targets
- Receivables, Inventory and Payables Optimisation Levers

### Day 5: Corporate Valuation Fundamentals and Capital Allocation Decision Pack

- Enterprise Value and Equity Value Bridge
- Free Cash Flow DCF with Terminal Value Estimation
- Trading Multiples Cross-Check: EV/EBITDA and P/E
- Economic Value Added and Value Driver Tree
- Capital Allocation Decision Pack Build and Peer Review

## Skills You Will Gain:

- Capital Investment Appraisal
- Discounted Cash Flow Analysis
- Cost of Capital Estimation
- Capital Structure Assessment
- Payout Policy Design
- Working Capital Optimisation
- Corporate Valuation
- Investment Risk Analysis

## Why Attend This Course:

- Defend the hurdle rate and the numbers behind your next capital expenditure request in front of senior management.
- Spot the common appraisal errors that make weak projects look attractive and strong projects look marginal.
- Release cash tied up in receivables, inventory and payables using targets you can track monthly.
- Return with a peer-reviewed Capital Allocation Decision Pack covering appraisal, funding and value impact for a real proposal.

## Conclusion:

Sound corporate finance decisions rest on a small number of disciplined methods applied consistently: relevant cash flows, a defensible cost of capital, a funding mix that matches risk, and a payout policy that respects investment needs. Across one week participants move from these foundations to applied capital budgeting, WACC estimation, financing and working capital choices, and valuation. Each participant leaves with a Capital Allocation Decision Pack that links an investment proposal to its funding plan and value impact, ready to support budget rounds and investment committee discussions.