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Ralph W. Adler

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Why DCF Capital Budgeting is Bad for Business and Why Business Schools Should Stop Teaching it

RALPH W. ADLER

University of Otago, New Zealand

Introduction

As educators, we are constantly making decisions about course content. Each year, as we begin our preparations for writing our new or updated course outlines, such questions as what topics to include, modify, or exclude, are contemplated and re-contemplated. When making these decisions, an implicit or explicit decision is made on what is or is not 'essential.' Exactly what constitutes an essential topic derives partly from what is mandated, partly from what is institutionalised, and partly from what twinkles or pales 'in the eye of the beholder.' Topic mandates primarily come from the professional accounting bodies with which university accounting departments maintain links. These professional bodies exert a strong influence on course content. Any university accounting department that hopes to attain/retain the professional body's accreditation must show evidence that it is meeting the Body of Knowledge espoused by and generally encapsulated in the professional body's course outline(s). The obvious consequence is that a substantial amount of the course content is



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