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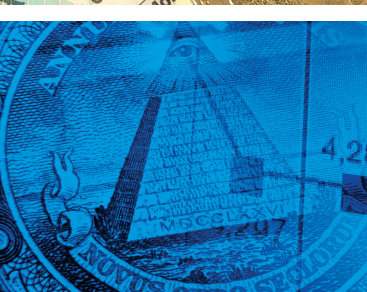
John A. Doukas, *Editor*



Capital Budgeting



Sandeep Goel



BUSINESS EXPERT PRESS

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Sandeep Goel

Assistant Professor - Finance

Management Development Institute

Gurgaon, India



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Abstract

Capital budgeting is an important part of the financial management of a business organization. It is a process that business houses use to evaluate an investment project. The decision of whether to accept or deny an investment project is capital budgeting decision. Capital budgeting is important because it determines the long-term economic and financial profitability of any investment project. It lays down the future success of a business. The present book aims to develop not only an understanding of the concepts of capital budgeting but also to provide its practical application to help the students to learn both theory and practice of capital budgeting to be used in the financial management of a business organization. It analyzes the capital budgeting practices of corporate enterprises in India in diverse sectors, on comparative basis in order to provide the readers a better insight into the various issues and challenges regarding capital budgeting management.

Keywords

capital budgeting, capital expenditure, financial management, business organization, corporate enterprises

Contents

<i>Preface</i>	<i>ix</i>
Section 1 Introduction	1
Chapter 1 Nature of Financial Management	3
Section 2 Capital Budgeting Decision & Appraisal	9
Chapter 2 Capital Budgeting: Nature & Scope	11
Chapter 3 Project Feasibility	19
Chapter 4 Project Management Techniques	33
Chapter 5 Social-Costs Benefit Analysis	39
Section 3 Capital Budgeting Management	45
Chapter 6 Time Value of Money	47
Chapter 7 Determination of Cash Flows	51
Chapter 8 Capital Budgeting Appraisal Methods	63
Chapter 9 Risk Analysis in Capital Budgeting	89
Chapter 10 Capital Budgeting Under Capital Rationing	107
Section 4 Financing Decision	115
Chapter 11 Cost of Capital	117
Section 5 International Perspective	127
Chapter 12 Capital Budgeting for the Multinational Firms	129
Chapter 13 Post Completion Auditing of Capital Budgeting Decision	139
Chapter 14 Capital Investment Issues and Challenges	147
Section 6 Case Studies	153
Chapter 15 Capital Budgeting Practice of Reliance Industries Ltd ...	155
Chapter 16 Capital Budgeting of Indian PSUs	167
Chapter 17 Capital Investment Practices of Oil Sector in India	177
<i>Key Terms</i>	<i>183</i>
<i>Review Questions</i>	<i>187</i>

Test Yourself—Problems & Solutions193

Bibliography.....209

Index211

Preface

Financial management is one of the most essential areas of any organization. It begins with investment decision in long-term assets, that is, capital budgeting decision. Capital budgeting decision lays down the foundation stone of the financial management. That's why the success of financial management depends on right capital budgeting application.

It is against this backdrop that the present book has been attempted. Its focus is to highlight the importance of an efficient capital budgeting decision in managing finances of a business enterprise. The objective of the book is, to develop not only an understanding of the concepts of capital budgeting but also to provide its practical dimension to help students to learn both theory and practice of capital budgeting to be used in the financial management of a business organization. Further, it will be useful to the managers to use it as an effective tool for resource allocation and evaluation of the business viability.

It also analyzes the capital budgeting practices of corporate enterprises in India in diverse sectors, on comparative basis in order to have a better insight into the various issues and challenges regarding capital budgeting management.

The present book is divided into six parts. Part I gives an overview of the conceptual framework of financial management. Part II discusses the nature and scope of capital budgeting decision along with project feasibility process and techniques. Part III contains a detailed discussion on the aspect of time value of money, capital budgeting appraisal techniques, and risk mitigation methods. Part IV discusses the financing aspect of capital investment decision by the business units. Part V comprises the international perspective of capital budgeting decision. Part VI is the case-study discussion of the capital budgeting concept. It analyzes the capital budgeting practices of companies, like Reliance Industries Ltd., ONGC Ltd., Vizag Steel Ltd., and Cairns India on comparative basis. It examines their fixed assets structure to see the level of investment made in fixed assets and their efficiency in utilization.