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[Sec-1]

Q1

[Question No-1]

Q1 What is capital budgeting?

Ans Capital budgeting - Capital budgeting is the process of making investment decision in fixed assets of capital expenditure.

Capital budgeting is also known as investment decision making, planning of capital acquisition, planning and analysis of capital expenditure etc.

Capital budgeting is a method of analyzing and comparing substantial future investment and expenditure to determine which ones are most worth while. In other words, it's a process that company management will do identify what capital project. Each project is ranked by its potential future return.

* Objective of capital budget

(*) Capital budgeting has many types of them are as follows.

- ① To find out the profitable capital expenditure
- ② To know whether the replacement of any existing fixed assets.
- ③ To decide whether a specified project is to be selected or not.
- ④ To find out the quantum of finance required for the cap expenditure
- ⑤ To assess the various sources of finance for capital expenditure
- ⑥ To evaluate the merit of each proposal to decide which project is best.