

Section-1

Qus 1: What is capital budgeting?

Ans: → Capital budgeting, and investment appraisal is the planning process used to determine whether an organization's long term investment such as new machinery, replacement of machinery, new plants, new products and research development projects are worth the funding of cash through the firm's capitalization structure.

CAPITAL BUDGETING

Advantages

- Adequate control over expenditures of the company
- Increase shareholder's wealth and improve market holding
- Abstain from over or under investment
- promotes understanding of risks and its effects on the business