

# Capital Budgetting Journal.docx



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| FILE           | CAPITAL_BUDGETTING_JOURNAL.DOCX (16.59K) |                 |      |
| TIME SUBMITTED | 14-OCT-2019 09:51PM (UTC-0700)           | WORD COUNT      | 316  |
| SUBMISSION ID  | 1193109570                               | CHARACTER COUNT | 1608 |

## <sup>1</sup> Capital Budgetting

Capital budgetting<sup>1</sup> is the process used to determine whether an organization's long term investment plan such as the purchase of new machinery, repair or replacement of new machinery is worth funding through the firm capitalization structure, basically, it dictates if an investment is worth to undertake. Capital budgetting uses present value analysis. Present value analysis is the future sum of money<sup>2</sup> or stream of cash flow given a specified return rate. It mainly shows what an investment is worth in the future.<sup>1</sup> The present value is always small or equal to future value because money can earn interest.

<sup>1</sup> The company's sales, marketing, and HR. the department is the main topic in most organization boardrooms. In every boardroom meeting, the idea of improving the business is raised. Capital budgetting helps support the financial health of an organization by laying good financial regulations. One can understand the amount of money available to spend in every financial year while sticking to the companies' budget. This is a cap that dictates the amount of money to be spent even when expanding an organization.<sup>1</sup> Sticking to the company's budget will ensure the smooth operation of an organization as well as future prosperity.

I come to understand that present values analysis gives one ability to reflect on the future and past. I also learned if I need to buy a house in the next three years it is advisable to start by researching on the values of homes at the moment around the price range am likely to purchase the house in future rather than using an additional amount of money to pay off the home. The available money at the moment should be invested in either buying stocks or a saving plan

## Capital Budgeting

### References:

Byrd, J., Hickman, K., & McPherson, M. (2013). Managerial Finance. San Diego, CA:

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## ORIGINALITY REPORT

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SIMILARITY INDEX

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PUBLICATIONS

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STUDENT PAPERS

## PRIMARY SOURCES

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**2**

Submitted to Tamil Nadu National Law  
University

Student Paper

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