

CAPITAL BUDGETING PRACTICE  
OF SEVERAL MANUFACTURING FIRMS IN MALAYSIA

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## ABSTRACT

This study examines the application of capital budgeting theory in practice, based on the data gathered by means of a mail questionnaire survey. The study directed its attention to the changes that have occurred in the capital budgeting practices of large Malaysian firms in the manufacturing sector.

However, the scope of this study, purposely covered only several Malaysian manufacturing firms, thus the questionnaire was mailed to only fifteen Financial Executives representing those firms. It was only done after the executives were contacted through telephone call and agreed to give their cooperation and have the questionnaire answered.

## 1.0 INTRODUCTION

Capital budgeting is one of the areas of managerial economics that is receiving ever increasing attention. For the past two decades or so, the literature of accounting, finance and economics, among others, has dealt extensively with the subject of capital budgeting. In brief capital budgeting is the entire, process of planning expenditure whose return are expected beyond one year. ( Brigham, 1970, p.283 )

Capital properly employed create wealth - it plays a dominant role in raising standard of living. Successful capital investment tends to be self generating; as a country's national income rises it is possible to invest an increasing proportion in capital equipment. The causes of economics growth are complex and depend on inter related economic, social, religious, psychological and biological factors such as natural resources and technology. ( ICMA, 1983 )

Various authors have stressed its importance. According to Johnson, "probably no area of decision making by Financial Manager is more important to the success of the firm than the evaluation of capital expenditure or capital budgeting".

According to Brigham, a number of factors combine to