

Guide to Resources: Capital Budgeting

Scope

Capital budgeting: The process by which companies appraise investment decisions, in particular by which capital resources, are allocated to specific projects. Capital budget requires firms to account for the time value of money, and project risk, using a variety of more-or-less formal techniques.

Keywords

When searching our catalog (Horizon) or the journal databases try using these subject keywords:

Capital budget

Capital budgeting

Capital expenditures budget

Books

Here are a sample of books that can be found in the library about *capital budgeting* (Available at the University of Bahrain Library, Sakhir)

Johnson, Hazel J. *Making Capital Budgeting Decisions: Maximizing the value of the firm*. Financial Times/Prentice Hall, 1999. Sakhir Library HG4028.C4J641999

Malonis, Jane A. *Encyclopedia of Business*. Gale Group, 2000. Sakhir Library Ref HF1001.E466 2000

Brealey, Richard A. *Principles of corporate finance*. McGraw-Hill/Irwin, c2003. Sakhir Library HG4026.B6672003

Ross, Stephen A. *Fundamentals of corporate finance*. McGraw-Hill, c2003. Sakhir Library HG4026.R6772003b

Journal Databases

We have a number of periodical databases available at the University of Bahrain Library via the Digital Library. The databases to use for this subject are:

Business Source® Premier

Emerald

Journal Articles

A search on “capital budget” in the periodical databases retrieved some of the following articles, which are downloadable in fulltext form from the database, Business Source® Premier.

Duan, Chang-Wen, William T Lin, and Cheng Few Lee. “Sequential Capital

- Budgeting as Real Options: The Case of a New DRAM Chipmaker in Taiwan." *Review of Pacific Basin Financial Markets & Policies*. Vol 6 Issue 1 Mar 2003: p87. Business Source® Premier. EBSCO. University of Bahrain Library, Manama, Bahrain. 30 August 2004
<<http://www.epnet.com>>
- Leyte, Pieter. "The Regime of Capital Maintenance Pertaining to Public Companies, Its Reform and Alternatives." *Business Law Review* Vol. 25 Issue 4 Apr2004: p84. Business Source® Premier. EBSCO Host. University of Bahrain Library, Manama, Bahrain. 19 July 2004
<<http://www.epnet.com>>
- Motta, Adolfo de 1. "Managerial Incentives and Internal Capital Markets." *Journal of Finance* Vol. 58 Issue 3 Jun2003: p1193. Business Source® Premier. EBSCO Host. University of Bahrain Library, Manama, Bahrain. 19 July 2004 <<http://www.epnet.com>>
- Ryan, Patricia A. and Glenn P Ryan. "Capital Budgeting Practices of the Fortune 1000: How have things Changed." *Journal of Business & Management* Vol 8 Issue 4 Fall 2002: 355. Business Source® Premier. EBSCO. University of Bahrain Library, Manama, Bahrain. 30 August 2004
<<http://www.epnet.com>>
- Weeks, Shelton. "The Devaluation of Capital Budgeting in Real Estate Development Firms." *Journal of Real Estate Portfolio Management* Vol. 9 Issue 3 Sep-Dec2003: p265. Business Source® Premier. EBSCO Host. University of Bahrain Library, Manama, Bahrain. 19 July 2004
<<http://www.epnet.com>>
- Internet Resources**
- Links to electronic resources on "capital budgeting"**
- Bernardo, Antonio, Hongbin Cai and Jiang Luo. "Capital Budgeting in Multidivisional Firms: Information, Agency and Incentives." UCLA Economics. 2003. University of California, Los Angeles. 30 August 2004.
<<http://www.econ.ucla.edu/people/papers/Cai/Cai253.pdf>>.
- This address links directly to a forty-four page paper written by faculty of the Economics Department at the University of California, LA. The authors "examine optimal capital allocation and managerial compensation in a firm with two investment projects each run by a risk-neutral manager. "
- "The Capital Budget and Investment Planning." World Bank Institute: Intergovernmental Fiscal Relations & Local Financial Management Program. World Bank. 30 August 2004.
<http://www1.worldbank.org/wbiep/decentralization/Topic10.6.htm>

This website is part of a course presented by the World Bank Institute on Intergovernmental Fiscal Relations and Local Financial Management. As part of its coverage of budgeting the site discusses the nature and role of capital budgeting.

“Disciplined Capital Budgeting.” Working Council for Chief Financial Officers. 2003. Corporate Executive Board. 30 August 2004.
<<http://www.cfo.executiveboard.com/Images/CFO/PDF/Essay%20Capital%20Budgeting%20pages.pdf>>.

How are companies ensuring that the capital budget process is aligned with enterprise strategy?

“Disciplined Capital Budgeting” is a nineteen page research report, prepared by the Working Council for Chief Financial Officers, that aims to answer the question.

Graham, John and Campbell Harvey. “How Do CFOs Make Capital Budgeting and Capital Structure Decisions?” Campbell R Harvey’s Research Papers. 2002. Duke University. 30 August 2004.
<http://faculty.fuqua.duke.edu/~charvey/Research/Published_Papers/P76_How_do_CFOs.pdf>.

This paper was published in the *Journal of Applied Corporate Finance* in Spring 2002 and is available here via the author’s website. The paper presents the results of research based on the responses of nearly 400 companies to a survey that explored both capital budgeting and capital structure decisions.

Mathis, Rock. “Capital Budgeting.” Corporate Finance Live. 2000. Prentice Hall. 30 August 2004.
<<http://www.prenhall.com/divisions/bp/app/cfldemo/CB/CapitalBudgeting.html>>.

The pages on this website, from Prentice Hall textbook publisher, provide an introduction to the key concepts related to Capital Budgeting. Key equations, example problems, and simple interactive calculators are included to illustrate each of the concepts.

Thomas, C.V., M.A. DeLorenzo, and D.R. Bray. “Capital Budgeting for a new Dairy Facility.” EDIS Electronic Data Information Source. 1997. University of Florida, Institute of Food and Agricultural Sciences (UF/IFAS). 30 August 2004. <http://edis.ifas.ufl.edu/BODY_DS138>.

This publication presents an example capital budget built on a computer spreadsheet program, with a subsequent analysis of its feasibility for a new dairy operation.