

Surname : _____

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Date : _____

BUS 650 Week 3 Journal Capital Budgeting

Capital budgeting is also vital to a business because it creates a structured step by step process that enables a company to:

1. **Develop and formulate long-term strategic goals** – the ability to set long-term goals is essential to the growth and prosperity of any business.
2. **Seek out new investment projects** – knowing how to evaluate investment projects gives a business the model to seek and evaluate new projects, an important function for all businesses as they seek to compete and profit in their industry.
3. **Estimate and forecast future cash flows** – future cash flows are what create value for businesses overtime. Capital budgeting enables executives to take a potential project and estimate its future cash flows, which then helps determine if such a project should be accepted.
4. **Facilitate the transfer of information** – from the time that a project starts off as an idea to the time it is accepted or rejected, numerous decisions have to be made at various levels of authority. The capital budgeting process facilitates the transfer of information to the appropriate decision makers within a company.
5. **Monitoring and Control of Expenditures** – by definition a budget carefully identifies the necessary required for an investment project. Since a good project can turn bad if