

**AN EMPIRICAL STUDY ON CAPITAL BUDGETING
PRACTICES OF LISTED COMPANIES IN SRILANKA**

**THIS DISSERTATION SUBMITTED TO THE DEPARTMENT OF
ACCOUNTANCY AND FINANCE, FACULTY OF MANAGEMENT AND
COMMERCE OF THE SOUTH EASTERN UNIVERSITY OF SRI LANKA IN
PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARDS
OF THE DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION
SPECIALIZATION IN ACCOUNTANCY**

BY

M.M.I.ANURUDDHA

REG. NO: SEU/IS/07/MG/057

INDEX NO: MG0588

**DEPARTMENT OF ACCOUNTANCY AND FINANCE
FACULTY OF MANAGEMENT AND COMMERCE,
SOUTH EASTERN UNIVERSITY OF SRI LANKA**

UNIVERSITY PARK

OLUVIL

2013

ABSTRACT

Capital budgeting is fundamental to all firms' strategic decision making processes. Typical capital budgeting decisions are Expansion programs, Replacement programs, new products or markets. This research examines the capital budgeting techniques and preferences of Listed Companies in Sri Lanka.

Main Research objective is an empirical study of the capital budgeting process to determine what capital budgeting evaluation techniques are used by Listed Companies in Sri Lanka.

Capital budgeting should, therefore, be a carefully considered process and is made more difficult by the following factors, the time span is normally more than one year from the current accounting period, the uncertainties of the future, and the high degree of risk involved to achieve the research objectives as stated a specific research strategy of an empirical survey was conducted in order to achieve an independent analysis and study of the Capital Budgeting evaluation techniques as used by listed companies in Sri Lanka.

A personal interview was directed at a sample of selected business entities within the Colombo Stock Exchange. Population for this study will be all the Sri Lankan listed companies in the Colombo Stock Exchange. The sample consists with 50 companies which listed in Colombo stock exchange and these 50 companies selected according to the Colombo stock exchange Sector Statistics. The study applied both primary and secondary sources to collect the data. Data collected through sample will be analyzed by using quantitative technique like chi-square test to determine the possible impact of classification data on the types of capital budgeting evaluation techniques used between the different categories of respondents in the listed companies in Sri Lanka. In order to obtain data for the analysis purpose of the study, the instrument of questionnaire has used. A total of 50 completed questionnaires were obtained from different companies which are listed in the Colombo Stock Exchange.

Based on all the findings of the present study it is clear that the most firms use NPV as their capital budgeting technique and also IRR, Payback & PI equally use as the firm's capital budgeting techniques to evaluate investment proposals.