

The Effect of Using Capital Budgets Techniques on Rationalizing Capital Expenditure Decisions in the Jordanian Shareholding Industrial Companies

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Abstract

The aim of this study is to examine the impact of using capital budgeting techniques on rationalizing capital expenditure decisions in the Jordanian Public Shareholding Industrial Companies, as well as to identify the obstacles which might limit this effect. Another objective of this research is to test whether there are significant differences among companies according to their sector, age, and capital size with regard to the effect or obstacles.

This study is based on the descriptive analytical methodology. The study population is the Jordanian Public Shareholding Industrial Companies listed on the Amman Stock Exchange (ASE) in the year 2015 which consists of (70) companies. The members of study sample are CFOs, CFOs deputies, heads of the accounting department, senior and junior accountants who are working in industrial companies which are using capital budgeting techniques. The number of these firms is (41). The study is based on a questionnaire designed to achieve its goals. (24) out of (41) firms responded. The number of respondents in these (24) firms is (101) employees.

The main results are:

1. There is a statistically significant effect of using capital budgeting techniques on rationalizing capital expenditure decisions in industrial companies, especially if they apply those practices that consider the time value of money.
2. There are significant obstacles that limit the use of capital budgeting techniques to rationalize capital expenditure decisions in these companies, especially the subjective factor of decision-makers in accepting or rejecting investing projects, not convincing in the importance of capital budgeting techniques, and incapability of predicting the amounts and timing of projects' cash flows.
3. There are no statistical differences among firms according to their sector, age, and capital size with regard to the effect or even obstacles.

This study recommends more using of capital budgeting techniques to make wise capital expenditure decisions, and more training for decision-makers to obtain high skills to make these decisions and to counter obstacles that face them.

Key Words: Capital budgeting techniques, Capital expenditure decisions, Industrial corporations.