

11 Lecture - MGT201

Important Subjective

1. **What are strategic investment decisions in capital budgeting?**

Answer: Strategic investment decisions in capital budgeting are long-term investment decisions that are made to achieve a company's strategic objectives. These decisions are based on an assessment of the company's current position and future goals.

2. **What is real options analysis in capital budgeting?**

Answer: Real options analysis in capital budgeting is an approach that considers the value of management flexibility in making investment decisions. It involves assessing the value of potential future opportunities that may arise from the investment and the ability of the company to respond to them.

3. **What are green investment decisions in capital budgeting?**

Answer: Green investment decisions in capital budgeting are investments made in projects that have a positive impact on the environment. These projects may involve reducing greenhouse gas emissions, using renewable energy sources, or implementing sustainable practices.

4. **What are joint ventures in capital budgeting?**

Answer: Joint ventures in capital budgeting refer to partnerships between two or more companies to undertake a project or investment. Joint ventures may be formed to share risk or to combine complementary resources and expertise.

5. **What is risk analysis in capital budgeting?**

Answer: Risk analysis in capital budgeting involves identifying and evaluating the various risks associated with a project or investment. This may include financial, operational, market, and other risks that could impact the success of the investment.

6. **What are divestitures in capital budgeting?**

Answer: Divestitures in capital budgeting refer to the sale of a portion of the company or a business unit. This may be done to raise funds, streamline operations, or to focus on core business activities.

7. **What is the profitability index in capital budgeting?**

Answer: The profitability index in capital budgeting is a financial ratio that measures the return on investment for a project. It is calculated as the present value of future cash flows divided by the initial investment.

8. **How does project timing impact capital budgeting decisions?**

Answer: Project timing is an important factor in capital budgeting decisions as it can impact the timing and magnitude of cash flows. Projects with shorter payback periods or higher net present values may be preferred over longer-term projects, depending on the company's goals and objectives.

9. **What are the key factors to consider when evaluating the environmental impact of a capital budgeting project?**

Answer: When evaluating the environmental impact of a capital budgeting project, key factors to

consider include the potential for greenhouse gas emissions, resource usage, and waste generation. Companies may also consider the impact on local communities and natural habitats.

10. **What is the role of uncertainty in capital budgeting decisions?**

Answer: Uncertainty is an inherent part of capital budgeting decisions as it is impossible to predict future events with certainty. Companies must consider the potential impact of uncertain factors, such as changes in market conditions or unexpected costs, when making investment decisions.