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The Use of **Capital Budgeting Techniques** in Selecting Investment Projects: An Applied Study on The Palestinian Corporations Working in Gaza Provinces

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

(قُلْ هَلْ يَسْتَوِي الَّذِينَ يَعْلَمُونَ وَالَّذِينَ لَا يَعْلَمُونَ)

صدق الله العظيم

قرآن كريم (سورة الزمر، الآية ٩)

DEDICATION

This Research Paper is lovingly dedicated to:

My respective parents who have been my constant source of inspiration. They have given me the drive and discipline to tackle any task with enthusiasm and determination. Without their support this project would not have been made possible.

My brothers (Housam, Ahmed and his family, Osama, And Abdelhafeez).

Dr. Ibrahim waked

My colleagues in the Islamic university and al-azhar university.

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LIST OF ABBREVIATIONS

Accounting Rate Of Return	ARR
Capital Budgeting Techniques	CBT
Capital Investment	CI
Cash Flow	CF
Chief Financial Officer	CFO
Discount Rate	r
Garbage-In Garbage-Out System	GIGO
Internal rate of return	IRR
Net Present Value	NPV
Payback Period	PB
Profitability Index	PI
Salvage Value	SV
Time	t
Time Value of Money	TVM
Weighted Average Cost of Capital	WACC

ABSTRACT

The objective of this Research is to explore the use of capital budgeting techniques in selecting investment projects and the obstacles (if any) that undermine the use of capital budgeting techniques in the Palestinian public corporations in Gaza strip.

For this purpose, the Research used the descriptive analytical approach and the population of the Research included all the eighteen Palestinian public corporations registered in the ministry of economy-Gaza. after visiting the corporations, it has been found that four of the corporations have left Gaza strip. In addition, one financial corporation was totally destroyed during the last Israeli assault (2012) on Gaza strip. In addition, three corporations refused to fill out the questionnaires.

In light of this situation, only ten public corporations in Gaza strip were included, and a number of fifty questionnaires were sent to fifty respondents who have held different jobs in the Palestinian public corporations that included director generals, managers, heads of departments, and normal employees. The response rate was 80% and the Research used the SPSS program to analyze the results.

The results indicated that the Palestinian public corporations in Gaza strip use the capital budgeting techniques when selecting investment projects, that the use of these techniques was in the range from 61 to 80%, and that the profitability index is the most used technique while the net present value was found to be the least used technique. The results also indicated that the Palestinian public corporations in Gaza strip do not use the weighted average cost of capital (whether adjusted or unadjusted) for determining the discount rate needed in the use of some techniques. The Research also found that the Palestinian corporations in Gaza strip consider many factors before adopting any capital budgeting technique as a basis for comparing different investment projects and that the availability of data and information for the company, followed by the preference of the CBT that concentrates on the cash flows and the management's conviction of the technique, was found to be the most important factor that is considered before adopting a technique of capital budgeting as a basis for evaluating proposed investment projects.

In addition, the results also indicated that there are many obstacles that undermine the use of capital budgeting techniques by the Palestinian corporations in Gaza strip and that the unavailability of the necessary data and information, followed by uncertainty surrounding the use of the capital budgeting techniques, is the most important obstacle undermining the use of capital budgeting techniques whereas the existence of external institutions for managing investments was found to be the least effective factor in undermining the use of capital budgeting techniques .

The Research recommended to increase the use of the net present value when choosing among alternative investment projects as it measures the addition to the stockholders' wealth, training the employees and the decision makers in the investment and finance departments so as to make them more professional and have them understand the results of the capital budgeting techniques.

المخلص

هدف هذا البحث إلى التعرف على مدى استخدام أساليب الموازنة الرأس مالية في اختيار المشروعات الاستثمارية والمعوقات (إن وجدت) التي تحد من استخدام أساليب الموازنة الرأس مالية في شركات المساهمة العامة بقطاع غزة. ولتحقيق هذا الهدف، استخدم البحث المنهج الوصفي التحليلي ولقد اشتمل مجتمع الدراسة على ثمانية عشر شركة مساهمة عامة وهي جميع الشركات المساهمة المسجلة في وزارة الاقتصاد الفلسطينية بقطاع غزة. وبعد زيارة هذه الشركات، تبين أن أربعة منها غادرت قطاع غزة. بالإضافة لذلك، فلقد دمرت شركة مالية بشكل كامل أثناء العدوان الإسرائيلي الأخير على قطاع غزة. كما ورفضت ثلاثة شركات تعبئة الاستبيان.

في ضوء هذا الوضع، اشتملت عينة البحث على عشر شركات مساهمة عامة بقطاع غزة، حيث تم توزيع عدد خمسين استبانة على العاملين بأقسام الاستثمار أو الشؤون المالية بالشركات الداخلة في العينة والذين شغلوا وظائف مختلفة تضمنت مدراء عامون، مدراء، رؤساء أقسام، وموظفون عاديون. وبلغت الردود المقبولة أربعين استبانة من إجمالي الاستبيانات الموزعة، أي بنسبة استرداد وصلت إلى ٨٠%، واستخدم الباحث برنامج SPSS الإحصائي بغرض تحليل النتائج.

وخلص البحث إلى أن الشركات المساهمة العامة بقطاع غزة تستخدم أساليب الموازنة الرأس مالية عند اختيار المشروعات الاستثمارية، وأن نسبة استخدام هذه الأساليب تتراوح بين ٦١ إلى ٨٠%، بالإضافة إلى أن مؤشر الربحية هو الأسلوب الأكثر استخداماً في هذه الشركات، في حين أن أسلوب صافي القيمة الحالية هو الأسلوب الأقل استخداماً. هذا وقد خلصت الدراسة إلى أن هذه الشركات لا تستخدم متوسط التكلفة المرجحة لرأس المال سواء معدل أو غير معدل في تحديد معدل الخصم اللازم لاستخدام بعض الأساليب. كما وجد البحث أن الشركات تأخذ بعين الاعتبار العديد من العوامل قبل اعتماد أحد أساليب الموازنة الرأس مالية كأساس للمفاضلة بين المشروعات الاستثمارية وأهم هذه العوامل هو مدى توفر البيانات والمعلومات اللازمة لاستخدام هذا الأسلوب، كما أظهر البحث أن هذه الشركات تفضل الأساليب التي تركز على التدفق النقدي وتلك الأساليب التي تقتنع بها إدارة المنشأة. بالإضافة إلى ذلك، أظهر البحث وجود عدد من المعوقات التي تقوض استخدام أساليب الموازنة الرأس مالية في شركات المساهمة العامة بقطاع غزة أهمها عدم توفر البيانات والمعلومات اللازمة لاستخدام هذه الأساليب بالإضافة إلى عدم التأكد المصاحب لاستخدام أساليب الموازنة الرأس مالية في حين أن وجود مؤسسات خارجية لإدارة الاستثمارات هو العائق الأقل تأثيراً على استخدام أساليب الموازنة الرأس مالية في هذه الشركات.

ولقد أوصى البحث بضرورة التوسع في استخدام أسلوب صافي القيمة الحالية بشكل خاص واستخدامه كأسلوب أساسي لتقييم المشروعات الاستثمارية لما له من تفوق نوعي على باقي الأساليب خصوصاً أنه يقيس الزيادة في رأس مال المساهمين، بالإضافة إلى العمل على تدريب العاملين بقسم الاستثمار وقسم الشؤون المالية وتطوير مهاراتهم وقدراتهم على استخدام هذه الأساليب وفهم نتائج التحليل الناتج عنها.

Chapter 1

General Framework of The Research

1.1 Introduction

Companies are often encountered with the decision to make large expenditures. However, for any firm, expenditures are not the same. They can be divided into two types, the first type is the current expenditure which is incurred frequently by the firm, relates to a specific period and is relatively smaller in amounts such as the electricity expenses, the phone expenses, and the salaries of employees.

The second type is the capital expenditure which is a nonrecurring expenditure that relates to long periods of time and it usually entails the disbursement of large amounts of dollars such as investments in fixed assets, capital improvements, and new companies (النعمي وآخرون، ٢٠١٠)

According to Horne, (2004), when a business firm makes a capital investment, it incurs a current cash outlay for benefits to be realized in the future.

Hence, decisions of capital expenditures, such as the decisions to invest in fixed assets, are of a particular importance to any company as they usually involve large capital outlays and the consequences of these decisions impact a firm's operations for a very long time.

Corporations often make decisions costing billions of dollars for capital expenditures. Thus, decisions to make such investments can lead to bankruptcy if made without the proper understanding of capital budgeting procedures (Lawrence, 2002).

On the other hand, firms usually have a capital budget ceiling, or constraint, on the amount of funds available for investment during a specific period of time; this situation is called capital rationing (Horne, 2004).

According to Ross et.al., (2006), capital rationing is defined as the situation that exists if a firm has feasible projects but cannot obtain the necessary financing. Such a constraint is prevalent in most of the firms, particularly in those that have a policy of financing all capital expenditures internally and to avoid resorting to the capital markets (Horne, 2004). Thus, a firm cannot undertake all the appealing feasible projects if it has a capital budget constraint. This, in turn, places more pressure on the firm to undertake the best available capital investments.

Hornigren et al., (2005) defines capital budgeting as "the long-term planning for making and financing investments that affect financial results over a period longer than just the next period".

In addition, capital budgeting is the process by which firms determine how to invest their capital. it is also known as the process of analyzing projects and deciding whether they should be included in the capital budget. that is, the capital budgeting process helps organizations in establishing criteria for judging the proposed capital investments' projects.

Included in this process are the decisions to invest in new projects, reassess the amount of capital already invested in existing projects, allocate and ration capital across divisions, and acquire other firms. In essence, the capital budgeting process defines the set and size of a firm's real assets, which in turn generate the cash flows that ultimately determine its profitability, value, and viability (Gervais,2009).

The process of capital budgeting is similar to the securities valuation process in that both forecast a set of cash flows, find the present value of those flows, and then make investment if the present value of future expected cash flows exceeds the investment's cost (Ehrhardt & Brigham, 2011).

However, two major differences arise between the capital budgeting process and the process of security valuation (Ehrhardt & Brigham, 2011):

- Securities are traded in the securities market and investors choose from the available set of alternatives, were capital budgeting projects are actually created by the firms that want to make investments.
- The vast majority of investors cannot influence the cash flows from their financial investments, whereas corporations undertaking capital budgeting projects can affect the cash flows from their capital project if those projects were properly executed.

When using the capital budgeting techniques, firms analyze the relevant cash flows expected from each project to assess whether a project is acceptable or to rank different investment projects.

Moreover, the capital budgeting decision involves the planning of expenditures for a project with a life of more than one year, and usually considerably longer and it requires extensive planning (Block and Hirt, 2011).

Decisions made based on capital budgeting techniques should maximize owners' wealth . but how do you tell if selected projects will create value in advance can be answered through the use of capital budgeting techniques (Lawrence, 2002).

A number of capital budgeting techniques are available to financial managers of either small businesses or large businesses. The generally accepted techniques are net present value (NPV), payback period(PP), profitability index (PI), internal rate of return(IRR), and accounting rate of return (ARR).

Although each one of these techniques has its own advantages and disadvantages that are to be addressed later, academic literature of accounting has been emphasizing the discounted cash flows methods as the most important methods and has cited the net present value (NPV) method as the best method because the NPV measures how well the firm will be after accepting a specific project.

However, this research is not intended to differentiate between the various methods of capital budgeting techniques but rather is to investigate the use of capital budgeting techniques in the Palestinian corporations in Gaza strip as tools for selecting investments.

1.2 The Problem of The Research

In light of the preceding emphasis on the importance of the proper selection of the capital investments and how the capital budgeting techniques contribute to this process, it has been necessary to find out how the issue of capital investment decisions is being dealt with in the Palestinian corporations, particularly those operating in Gaza strip.

The problem lies in the following main question:

"To what extent are the capital budgeting techniques used in the investment evaluation processes of the Palestinian corporations in Gaza strip".

The following secondary questions arise from the main question:

- 1- Do the Palestinian corporations in Gaza strip use the capital budgeting techniques when choosing among investment projects?

- 2- Do the Palestinian corporations in Gaza strip consider factors (such as the cost of using the technique and the simplicity and convenience of the technique) before adopting a capital budgeting technique as a basis for comparing different investment projects?
- 3- Are there obstacles that undermine the use of capital budgeting techniques by the Palestinian corporations in Gaza strip for choosing among investment projects?
- 4- Are there differences at the significance level $\alpha = 0.05$ in the responses about the use of capital budgeting techniques in selecting investment projects due to organizational factors (Such as Qualification, Specialization, Job, Experience, Age, and classification of the firm)?

1.3 The Importance of The Research

The significance of the research stems from the following:

- 1- Highlighting the importance of the capital budgeting techniques and their role in selecting capital investment projects to make a good investment decision that, in turn, is to improve the current position of the companies that use them and boost them in the market in spite of the increasing competition to undertake the best available investment projects.
- 2- The benefits gained from knowing whether the capital budgeting techniques are used in the Palestinian corporations in Gaza strip, the capital budgeting techniques that are used (if any), and the obstacles that undermine the use of capital budgeting techniques.

Thus, the research will positively affect the Palestinian national economy through providing it with a realistic view and incentives for the growth, prosperity, and continuing improvement of the economy. The research highlights the importance of the proper selection of investments what is to activate the investment sector.

1.4 Research Objectives

This Research have multiple purposes:

- 1- To explore whether the capital budgeting techniques are used in the Palestinian corporations in Gaza strip.

- 2- To know what are the most commonly used capital budgeting techniques, if any, by the Palestinian corporations in Gaza strip.
- 3- To explore the most important obstacles (if any) that undermine the use of capital budgeting techniques in the Palestinian corporations in Gaza strip.
- 4- To demonstrate the importance of using the capital budgeting techniques in the process of investment selection.
- 5- To know whether the WACC (adjusted or unadjusted) is used for determining the required rate of return from investments in the Palestinian public corporation in Gaza strip.
- 6- To investigate the factors that are taken into consideration (if any) before adopting any capital budgeting technique as a basis for comparing different investment projects in the Palestinian corporations in Gaza strip.

1.5 Research Methodology

The research utilized the descriptive analytical procedure to describe and explore "The use of capital budgeting techniques in selecting investment projects in the Palestinian corporations in Gaza strip". It is also worth mentioning that the descriptive analytical procedure attempts to compare, explain, and evaluate the results in the sake of reaching meaningful generalizations that are to enrich the related literature.

Achieving the research objectives and testing the research hypotheses entails to go through:

- 1- The theoretical framework: by reviewing the literature related to the topic of the research as well as addressing both the capital budgeting techniques and the capital investments.
- 2- The applied Research: which is carried out to answer the research questions and test the research hypotheses by administering questionnaire to the relevant respondents.

1.6 Research Hypotheses

1. **The First Hypothesis:** The Palestinian public corporations in Gaza strip use the capital budgeting techniques when choosing among investment projects.

2. **The Second Hypothesis:** The Palestinian corporations in Gaza strip consider many factors (such as the cost of using the techniques and the simplicity and convenience of the techniques) before adopting any capital budgeting technique as a basis for comparing different investment projects.
3. **The Third Hypothesis:** There are many obstacles that undermine the use of capital budgeting techniques by the Palestinian corporations in Gaza strip when evaluating investment projects.
4. **The Fourth Hypothesis:** There are no differences at the significance level $\alpha = 0.05$ in the responses about the use of capital budgeting techniques in selecting investment projects due to organizational factors (Such as qualification, specialization, job, experience, age, and classification of the firm).

1.7 Literature Review

1.7.1 Graham (2002), "How Do CFOs Make Capital Budgeting & Capital Structure Decisions".

The purpose of this study was to analyze the current practice of corporate finance, with a particular focus on the area of capital budgeting and capital structure. For this purpose, the study conducted a comprehensive survey & solicited responses from approximately 4,440 companies and received 392 surveys, representing a wide variety of firms & industries. The survey results helped to identify aspects of corporate practice that are consistent with finance theory as they demonstrated that most respondents cited net present value and internal rate of return as their most frequently used capital budgeting techniques.

1.7.2 Niels (2005) ,"Capital Budgeting Practices: A Comparative Research of the Netherlands and China".

The purpose of this study was to compare the use of capital budgeting techniques of Dutch and Chinese firms from a comparative perspective to see whether economic development matters. For this purpose, data were obtained from a survey among 250 Dutch and 300 Chinese companies. The empirical analysis provided evidence that Dutch CFOs on average use more sophisticated capital budgeting techniques than Chinese CFOs do. At the same, however, the results suggested that the difference between Dutch and Chinese firms was smaller than might have been expected based upon the differences in the level of economic development between both countries, at least with respect to the use of methods of estimating the cost of capital and the use of CAPM as the method of estimating the cost of equity.

1.7.3 Apap and Masson (2005), "A Survey of Capital Budgeting in Publicly Traded Utility Companies".

The purpose of this study was to determine which capital budgeting techniques do the publicly traded utility companies in America use and to ascertain if they had changed their emphasis on the use of capital budgeting techniques in the last ten years. For this purpose,

a survey was sent to 207 publicly traded utility companies asking questions concerning capital budgeting techniques used and changes to the techniques used. The results indicated that payback, net present value and internal rate of return are the techniques used most often. Perhaps the most surprising finding of this Research was that 27.3% of the respondents indicated that their companies do not use capital budgeting techniques.

1.7.4 Brijlal (2008) ,"The Use of Capital Budgeting Techniques in Businesses: A Perspective from the Western Cape".

The purpose of this study was to examine the use of capital budgeting techniques in businesses in the Western Cape province of South Africa. The study focused on small, medium and large businesses and investigated a number of variables and associations relating to capital budgeting practices in businesses in the Western Cape province of South Africa. The results revealed that payback period, followed by net present value, appears to be the most used method across the different sizes and sectors of business. It was also found that 64% of businesses surveyed used only one technique, while 32% of the respondents used between two to three different types of techniques to evaluate capital budgeting decisions. The findings show that the more complicated methods such as IRR and NPV are most favored by the large businesses as compared to the small businesses. The majority of the respondents believed that project definition was the most important stage in the capital budgeting process. Implementation stage appeared to be the most difficult stage for the manufacturing sector whereas Project definition, analysis and selection and implementation were generally rated as being the difficult stages by the retail sector. Project definition and analysis and selection were found to be the most difficult stages by the service sector. Most businesses used the cost of bank loan as a basis in capital budgeting and more than two thirds of respondents used non-quantitative techniques to consider risk when making a decision on investing in fixed assets.

1.7.5 Chen (2008) ,"DCF Techniques and Nonfinancial Measures in Capital Budgeting: A Contingency Approach Analysis".

The purpose of this study was to empirically examine capital budgeting methods. Based on 115 responses from a cross-sectional survey and two approaches to contingency fit, this study produced three basic findings. First, both discounted cash flow (DCF) techniques and

nonfinancial measures are widely used in capital budgeting. However, DCF techniques are more important than nonfinancial measures, and nonfinancial measures appear to serve as a partial substitute when DCF analysis is less efficient. Second, DCF techniques and nonfinancial measures are not unconditionally appropriate. Although the impact of firm strategy on capital budgeting methods is not supported by the present results, the study shows that product standardization affects both capital budgeting methods, as hypothesized. Firms with high product standardization tend to place more emphasis on DCF analysis, while firms with low standardization are more likely to focus on nonfinancial measures. Third, an appropriate fit under contingency theory between product standardization and the two capital budgeting methods is significantly associated with a firm's satisfaction with the capital budgeting process.

1.7.6 أبو ارميلة (2008) , "The Capital Budgets and The Static Budgets in The Jordanian Public Industrial and Service Corporations " .

The objective of this study was to explore the use of capital budgets and the static budgets in the Jordanian public industrial and service corporations as well as specifying the advantages and disadvantages from using them. For this purpose, questionnaires were sent to 60 respondents who have held different jobs in the Jordanian public industrial and service corporations that included financial managers, heads of accounting departments, and accountants. The response rate was 85.7% and the results indicated that most of the corporations used the discounted cash flows methods that take into consideration the time value of money. But they also used the conventional methods that do not take into consideration the time value of money other than economic value added. The study recommended that the corporations should work on boosting the theoretical expertise of those who evaluate the capital investments and that corporations should increase their reliance on sophisticated capital budgeting.

1.7.7 Abdulsamad (2009), "The Perception of Risk & Uncertainty & The Usage of Capital Budgeting Technique: Evidence from Public listed Firms in Malaysia".

The purpose of this study was to investigate the perception of risk and the use of capital budgeting techniques in the public listed firms in Malaysia. For this purpose, The study conducted a postal survey where questionnaires were distributed to 800 public listed

companies in Malaysia securities market. However, 83 questionnaires were replied and returned which represented a 10.83% response rate. The study found that most of the firms perceived the risk as the potential size of loss where the main source of uncertainties comes from changes in government policy. While large companies prefer to use DCF as compared to small companies, payback period is the most popular model for those who do not use DCF technique. Lack of competent staff & information were cited as the main reason for not using DCF. Consistent to the findings of other studies, this Research shows that companies are more inclined to use CAPM to estimate required return by investors. Overall, the results suggest that as far as perception of risk and uncertainty & the usage of capital is concerned, theory-practice gap still exist in Malaysia.

1.7.8 Shinoda (2010), "Capital Budgeting Management Practices in Japan: A Focus on The Use of Capital Budgeting Methods".

This study examined the capital budgeting decision-making methods used by managers of listed companies on the Tokyo Stock Exchange in Japan. The purpose of this study was to discover how Japanese firms currently use capital budgeting methods. A survey in the form of questionnaire was conducted by sending 225 questionnaire to 225 people in charge of capital budgeting at firms listed on the Tokyo Stock Exchange in Japan, with a focus on capital budgeting practices. The results show that Japanese firms manage their decision-making by a combination of payback period method and net present value method.

1.7.9 Khamees, Al-Fayoumi & Al-Thuneibat (2010), "Capital Budgeting Practices in the Jordanian industrial corporations".

The purpose of this study was to provide additional empirical evidence about capital budgeting practices in an emerging economy. The study utilized a questionnaire and interview to collect data from respondents. The results showed that the Jordanian industrial corporations give almost equal importance to the discounted and undiscounted cash flow methods in evaluating capital investment projects. It appeared also that the most frequent used technique is the profitability index followed by the payback period. Based on these results, the study recommended putting a great attention to apply the concepts and techniques of capital budgeting in an appropriate manner. It also recommended to take into

consideration the importance of information technology and its applications in capital budgeting.

1.7.10 Brunzell, T, Liljeblom, E and M. Vaihekoski (2011), "Determinants of Capital Budgeting Methods and Hurdle Rates in Nordic Firms".

The purpose of this study was to investigate the choice of capital budgeting methods in five Nordic countries. The study combined survey data with a rich set of determinants, including ownership data, CFO characteristics, as well as financial data. The results indicated that the use of the NPV method as a primary method, and the sophistication of the capital budgeting, is related both to firm characteristics, variables proxying for real option features in investments, as well as to CFO characteristics (age and education).

1.7.11 Ekeha (2011), "Capital Budgeting Practices and Economic Development: A Comparative Research of Companies in Western Europe and West Africa".

The purpose of this study was to analyze the use of capital budgeting techniques by companies in Europe and West Africa from a comparative perspective to see whether economic development matters in the choice of which technique to use. For this purpose, the study compared the use of capital budgeting techniques by companies in Europe and West Africa & data were obtained from a survey between 225 European and 120 West African companies. The empirical analysis provided evidence that European CFOs on average use more sophisticated capital budgeting techniques than their counterparts in West Africa. At the same time, however, the results suggested that the differences between European and West African companies is smaller than might have been expected based upon the differences in the level of economic development between both economic blocs. At least, this is evident with respect to the use of methods of estimating the cost of capital and the use of CAPM as the method of estimating the cost of equity.

1.7.12 Maroyi and Poll (2012), "A Survey of Capital Budgeting Techniques Used by Listed Mining Companies in South Africa".

This purpose of this study was to investigate the use of capital budgeting techniques by South African mines listed on the Johannesburg Securities Exchange (JSE) and the reasons

behind their use. For this purpose, questionnaires were conducted during the period of March to May 2011 to gather data. The results indicated that the net present value (NPV) (69%), the internal rate of return (IRR) (46%) and the payback period (PB) (23%) are the most common techniques used to evaluate major projects. The main reason for the use of the NPV was its superiority as it accurately takes into account the time value of money. The IRR method is used owing to its ability to rank projects and to indicate the actual return of each project, thereby informing managers whether an investment will increase the company's value. The results indicated that the continual use of PB was based on the simplicity of the technique. The study recommended the use of other techniques such as, discounted payback period (DPB), profitability index (PI) and the real options which are valuable in determining the feasibility of projects.

1.7.13 Daunfeldt and Hartwig (2012), "What Determines the Use of Capital Budgeting Methods? Evidence from Swedish listed companies".

The purpose of this study was to examine the choice of capital budgeting methods used by companies listed on the Stockholm Stock Exchange (SSE). For this purpose, a multivariate regression analysis on questionnaire data from 2005 and 2008 was used. The results indicated that both recommended and non-recommended methods are found to be commonly used, with large companies using capital budgeting methods more frequently than small firms. Moreover the study found that the choice of capital budgeting methods is also influenced by leverage, growth opportunities, dividend pay-out ratios, the choice of target debt ratio, the degree of management ownership, foreign sales, industry, and individual characteristics of the CEO. The results also indicated that the total use of capital budgeting methods is lower in Swedish companies compared to U.S. and continental European companies.

Comment on The Previous Studies:

IN GENERAL, the previous studies have investigated the use of capital budgeting in different countries. Most of the previous studies came to an agreement that the capital budgeting techniques are used when making capital investment decisions. But they disagreed as to the ranking of the most commonly used capital budgeting techniques as some studies cited the NPV as the most commonly used technique were other studies cited

the IRR or payback period. They also disagreed as to the difficulties and obstacles that are expected to undermine the use of capital budgeting techniques.

This research is an extension to the previous studies in that it addresses the use of capital budgeting techniques in selecting investment projects. However, this Research differs from the previous studies as it is conducted on the Palestinian corporations operating in Gaza strip that is going through a difficult economic state. Thus, this research is to investigate the use of capital budgeting techniques in the Palestinian corporations in Gaza strip as tools for evaluating and selecting investments and is to explore the obstacles to their use.

1.8 Limitations of The Research

The Research was confined to the Palestinian corporations that operate in Gaza strip because of the difficulty in communicating with the Palestinian corporations operating in west bank due to the current political situation.

1.9 Research Variables

The following are the research independent variables and dependent variable

1. Net present value
2. Internal rate of return
3. Profitability index
4. Payback period
5. Accounting rate of return
6. Investment evaluation process

Chapter 2

Capital Investments

2.1 Introduction:

This chapter attempts to give a clear idea about the topic of capital investments. For this purpose, the chapter addresses the following points: Characteristics of capital investments, objectives of capital investments, types of capital investments, pillars of capital investments, risks of capital projects, an overview of investment environment, and the investment environment in Palestine.

2.2 Characteristics of Capital Investments

There are many characteristics of capital investments (شبيب، ٢٠٠٩):

- Capital investments' decisions result in a large financial outlay for a long time as well as the sunk costs that are to be paid whether the capital investment project has been undertaken or not.
- Capital expenditures are highly risky, since they do not yield any returns in the short run, in addition to the fact that any failure in estimating the project's future cash flows would affect the value of the project.
- Capital investment depends heavily on the process of scanning and evaluating future events which is a complicated process that requires a high degree of accuracy.
- Capital investment requires conducting accurate studies to compare among alternative investment opportunities.
- It is difficult to cancel the project after it has been executed due to the magnitude of the money invested what may lead to incurring a loss.

2.3 Objectives of Capital Investments

The objectives of capital investments are (الوادي، وسمحان، و خريس، ٢٠١٠):

- Obtaining an appropriate return: the investor usually desires a return that is compatible with the size of his or her invested capital.
- Maintaining the actual value of assets: through exploring investment alternatives that guarantee that the invested capital will be intact.
- Obtaining an increasing continuous income: through increasing the return on invested capital.

- Sufficient liquidity: that is having the minimum limit of liquidity needed to satisfy the obligations from the production process, the requirements of the work, and any emergent liabilities that arise during the production process.
- Creating a competitive advantage: through raising the capacity of the project and reducing the unit cost.

2.4 Types of Capital Investments

There are three types of capital investments (حنفي، ٢٠٠٢):

1- Replacement investments:

Which are investments that are carried out to replace the old assets with new assets, reasons for making replacement investment decisions include keeping up with the new technologies, or the need to replace impaired assets. This type of investment aims at increasing profits while maintaining the current production level and sales constant. Risk associated with this type of investment is considerably low because it does not include a change to the nature of the product.

2- Development or improvement investments:

Which depends on the technological changes to meet the customers' needs, or to keep up with the technological advances to improve the competitive advantage of the company. Risks associated with this kind of investments is usually high because it requires a change to the nature of the product; however, if the project succeeded, the return also can be high.

3-Expansion investments:

These investments aim at expanding the production capacity of the project usually when the project gains access to new markets. The decision to make such an investment is based on comparing the incremental revenues with the incremental costs.

2.5 Pillars of Successful Capital Investments

The pillars of successful capital investments project are as follows (كدوي، ٢٠٠٨):

- Adopting the proper strategy: this depends on the priorities of the decision maker that are revealed by his/her investment preference curve which is composed of the investor's desires towards profitability, liquidity, and certainty, in addition to other factors specific to the investor.

- Following the right steps to decision making: to make a rational investment decision, investors should follow the Five-Step Decision-Making Process in addition to meeting a variety of rules and criteria such as:
 - The availability of multiple investment alternatives: that is to select the investment from a number of different alternatives that could be from the same industry or from other industries, this is to give the decision maker the flexibility required for making the right decision.
 - Convenience: that is to select the investment which is more appropriate and compatible with the company's capabilities, experience, and facilities.
 - Knowledge and experience: investors should have the appropriate experience and knowledge to be able to make investment decisions or have financial consultants to help them in making the decisions.
 - Decreasing risk through investments' diversification: diversifying investments reduces the risks inherent with the decision.
- Marinating the tradeoff between risk and return: the investment decision is related to two variables: risk and return; investors should have a higher return on riskier projects.

2.6 Risks of Capital Projects

(النعمي وآخرون، ٢٠١٠) stated that the risks of capital projects are known as the uncertainty connected with the cash flows from these projects and stated that there are three kinds of capital projects' risks as follows:

- **Stand-alone risks (specific risk):** those are related to the project itself irrespective of the fact that the project is one of the firm's multiple projects or irrespective of the fact that the company's stock is one of the various stocks in an investor's portfolio. This can be measured as the instability in the project's expected returns.
- **Corporate or within-firm risks:** this is the risk that the project adds to the risk of the firm irrespective of the diversification effect that an investor can make. This can be measured as the instability in the firm' returns that is attributed to the project.
- **Market risk:** this is the part of the risk that cannot be eliminated through diversification and is measured by beta. This can be measured as the effect of the project on the firm's beta.

(النعمي وآخرون، ٢٠١٠) stated also that investing in a project with a high stand-alone risk does not necessarily mean an increase in the corporate risk or the corporate beta, because those depend to a large extent on the correlation between the project's returns and the returns of the other projects of the firm as well as the correlation with the other projects in the economy. Thus, if the correlation is positive, this means that the risk of the project is high. And if the correlation is negative, then the risk of the project is low.

2.7 An Overview of The Investment Environment

Before proceeding to the investment environment of Palestine, it is important to address the meaning of investment environment in general.

2.7.1 The Investment Environment

The investment environment is considered one of the most important factors that affect the economy of any country. It relates to anything that pertains to the investment whether directly or indirectly such as the economic, political, social, lawful, or cultural environment. Thus, as the investment environment gets better, the whole economy of the country booms, and the size of the funds invested in the country increases (العويسي، ٢٠١٠).

(المهايني، ٢٠٠٨) defined the investment environment as "the set of laws, policies, economic enterprises, and political enterprises that affect the investor's confidence and encourage him or her to invest in a country and discourage him or her from investing in another".

(المهايني، ٢٠٠٨) added that this meant that an investment environment does not depend on the economic situation only, but it also depends on the economic, political, social, lawful, institutional, or cultural environment in the country and that these factors combine to make up what is known as the investment environment. Thus, the investment environment is composed of the following:

1-The Economic Environment

Constitutes the prevalent economic situation in a country and its ability to be improved or developed such as the inflation rate, the interest rates, the market size, the extent to which the financial sector is developed, the growth potential of the economy, and the availability of raw materials and skilled workers. Other factors such as the infrastructure and the use of

technology play a crucial role in determining the size of investments and the allocation of these investments among the various sectors of the economy(العويسي، ٢٠١٠).

2-The Cultural and Social Environment

This impacts the firm by affecting the perception of the firm by the public that in turn affects the acceptability of the firm's products and services.

Several factors can affect the project's activity and its ability to complement with the surrounding cultural and social environment as follows (www.islamfin.go-forum.net):

- The adopted educational and training policies.
- The role that the associations and public syndicates play in improving the competency of the workforce.
- The extent of the health awareness of the public.
- The extent of awareness of the ways to improve the economy.

3-The Political Environment

This is considered one of the most important factors that should be considered when making investment decisions. Accordingly, the investor considers the susceptibility to economic and non economic factors such as the nature of the political regime, the likelihood of nationalizing foreign firms or sequestrating the properties of those firms, the extent to which the government intervene in the economy, the country's political stability, as well as the nature of the potential political changes that might take place in the future (العويسي، ٢٠١٠).

4-The Legislative and Lawful Environment

Mainly, the legislative and lawful environment is considered to be the corner stone in organizing the economic activities, and particularly the investments activities. Those laws and regulations should not be complex and should not conflict with each other specifically when it comes to their application on the ground, should be compatible with the broader goals of achieving the economic growth and prosperity in all the sectors of the economy, and should be flexible and modern. This, in turn, is to bring in more investments and will

assist in taking into consideration any developing situation as well as the individuals and national institutions' growing needs into consideration(المهايني، ٢٠٠٨).

5-The Technological Perspective

The technological perspective refers to the extent to which a specific country is developed in the field of modern technology.

Not only does investing in countries that are considered technologically developed helps investors to get all the needed facilities to undertake their projects, but also it helps them to invest in global markets through making facilities such as the internet, information technology, the electronic commerce, & globalization available for them.

At the same time, the information technology & communications industry are now considered the only gate to reach the global markets.

In addition to enabling firms to trade globally, the E-commerce has the following advantages (مكي والبناء، ٢٠٠٣):

- 1-It enables the firms to have access to international markets.
- 2-The firms will not have to have agents in other firms.
- 3-It facilitates communication & thus eliminates causes of time lag
- 4-It provides modern tools for managing the commercial activity.
- 5- It offers local firms the ability to have international customers.
- 6-Availability of all relevant and accurate information for all products .
- 7-Reducing the quantity of the paper- based transactions.
- 8-Improving the commercial activity.

However , E commerce exposes the firms to many risks such as(النعيمي، ٢٠٠٣):

- 1-Lack of confidence among the related parties.
- 2-Thefts and loss of information.
- 3-Lack of binding laws and regulations for organizing the e commerce.
- 4-Requires the existence of a specialized technical staff .
- 5-Requires assuming a high degree of risk.

2.7.2 Possible Shortcomings in The Investment Environment

Many countries experienced different economic, political, and administrative factors that led to discouraging the investments. These factors include the instability of the country's economy, lack of obvious laws and legislations that regulate and organize the investment activities, as well as lack of the required finance.

Moreover, Possible Shortcomings in The Investment Environments May Include (The Egyptian council of ministers, 2004):

- 1- The instability in the whole economy: because the variables of the economy such as the exchange rate, the transparency in the country's monetary and financial policies, inflation, and the level of unemployment contribute to attracting more investments, any disorder that distort those variables can prompt to cancel undertaking new projects or stopping the expansion of existing ones.
- 2- Restricting the transfer of the capitals and earnings to other countries makes investors reluctant to invest in the country.
- 3- Undeveloped infrastructure facilities which causes the costs of the investments (such as the transportation and distribution fees) to increase, and thus decreasing the return on investment.
- 4- Unclear tax scheme: which leaves the investor unable to define his taxable income.
- 5- Incompetence workforce: which constitute one of the main obstacles that hinder the growth of the investments, particularly in the poor countries where the proper training and education is usually unattainable.
- 6- The unopened economy policy: which might limit the accessibility to various sources of the production's input and commodities that can be used in the investment activities. It may also limit the ability of the new project to export their products .
- 7- The existence of multiple laws and regulations that organize the investments sector in the country may lead to the loss of transparency from the investors point of view.
- 8- Complicated administrative procedures as well as the corruption that increase the costs of the investment.

- 9- Lack of necessary information about the investment opportunities and incentives in many countries, particularly the developing countries.
- 10- The existence of incompetence managerial staffs in the investments' promotion agencies, particularly in the developing countries, what prevents these agencies from achieving their goals.

2.7.3 Factors affecting investments

There are several factors that affect the volume of investments in all countries which are (شيب، ٢٠٠٩):

- 1- The political stability: which is considered one of the most important factors that affect the investments. Lack of political stability means low demand, instable prices, instable value of money and high costs due to high inflation rates.
- 2- Economic stability: which is concerned with the government strategies and ideology in terms of the economy. Questions such as the following are asked to determine the economic stability: does the government want the economy to be an open economy or a closed one. What are the government policies regarding the inflation rates, unemployment, & the national debt.
- 3- Currency exchange rates: this is considered one of the most important factors affecting investments because volatile exchange rates affect the cost of production, as well as the profits expected from the investments.
- 4- Interest rates: high interest rates lead to a lower value of bonds and it may increase the cost of raising funds.
- 5- National income: national income and its growth rate have a great impact on investments because an increase in the national income means an increase in the overall demand, sales, and profits.
- 6- Governmental policies and investments: the governmental policies play a critical role in the investor's decision making process as it can facilitate the investment procedures and provide motivations such as tax exemptions as well as making large investments by the government.
- 7- Inflation: this leads to an overall increase in prices and to high costs, those in turn affect the purchasing power parity and the profits. Thus the lower the inflation rate, the higher the investments.

2.8 The Investment Environment in Palestine

All countries vary as to the relative stability of their investment environment, but Palestine has a very different situation because it lacks the pillars of an independent sovereign state (العويسي, ٢٠١٠).

Many external factors, as well as internal factors, affect the investment environment in Palestine. The political, economic, & social stability are of a particular importance for any investment to hold. However, due to political and other factors, Palestine is not considered a safe place for investment.

As a result of the developing political events, the Palestinian national authority has taken serious steps to boost the investment in all the economic sectors within the Palestinian territories as stated per the Palestinian Investment Law number.1 (1998) that aimed at encouraging investments. This law constitutes the legislative framework that offers the Palestinian and foreign investors the necessary protection for their money. The law gave different incentives and exemptions for the investors. It also stated that a government-administrative investment agency called the Palestinian agency for encouraging investment was to be established. This agency was to be an independent entity. According to the law, the agency was entitled to set the investment policies and to accept or reject all the investment projects to ensure the achievement of the economic prosperity in Palestine in accordance with the goals, programs, and priorities (أبو القمصان, ٢٠٠٥).

This law has conferred tax as well as other privileges to investors who invest within the Palestinian authority.

Privileges conferred to investors as per the Palestinian investment law (أبو القمصان, ٢٠٠٥):

- 1- All investors whether holding Palestinian, Arab, or foreign nationalities can take advantage of the privileges when investing in any of the Palestinian economic sectors.
- 2- Machines, equipments, and raw materials are exempt from income tax, sales tax, and customs for a period of five years. It also indicated that the tax rates on the profits are to be reduced according to the invested capitals in the project for an extra twenty years.

- 3- The fixed assets of the project are to be exempt from taxes and their spare parts are to be subject for reduced tax rates.
- 4- Additional exceptional privileges are given for projects that allocate 25% or more of its production for exportation if their products' national added value does not exceed 30% from their total costs. The law conferred additional privileges for agricultural projects that export their products.
- 5- The law has guaranteed the investors' rights whatever their nationalities are.
- 6- The permanent residency is to be given for any investor or technical expert whose nationality is not Palestinian as per the existing laws.
- 7- The law offers various facilities regarding the transfer of money whether those money are the capital of the project, profits, or wages and salaries. In addition, the law relaxed the restrictions on the transfer of the world main currencies.
- 8- The projects have all the warranties and insurance against any non-economic risks.
- 9- The owner of the project is permitted to sell the exempted fixed assets of the project to another project with the same privileges if the approval of the Palestinian investment agency is obtained.
- 10- If the project's location is changed, the project can benefit from any additional privileges in the area of the new location.
- 11- All the investment projects are permitted to operate their activities as stated per the license without any discrimination based on gender, ethnicity, or religion.
- 12- Investors with small capitals are able to take advantage of the privileges mentioned in the law.
- 13- The Palestinian courts have both the authority and the priority to settle disputes, and any party from the disputing parties have the right to submit the dispute for a binding independent arbitration.
- 14- The law enables investors to take advantage of the specific position of Palestine that enables them to export their products to European, Arab, and foreign markets without being subject to customs fees.
- 15- The law facilitates the process of granting loans for investors, and giving them information and statistics about production and markets.
- 16- The law facilitates registration in the government's directorates and facilitates the movement of the investors inside and outside the country.
- 17- The law states that the investment approval is effective for six months from the date of the approval.

Amendments to The Investment Encouragement Law (Palestinian Economic Bulletin, 2011):

On 13 January, Palestinian President approved new amendments to the basic Palestinian Investment Encouragement Law No.(1). The purpose of these changes is to create a more attractive investment environment in the Palestinian Territory. One of the most important amendments aims to facilitate investment procedures and reduce the existing bureaucracy. The investment department has been reformed with representatives from the relevant ministries (including the Ministry of National Economy, Ministry of Tourism and Ministry of Finance). This combination was to facilitate the processing of important licenses and permits. The investment department will also be responsible for following up with investors and ministries as required. The Palestinian Investment Promotion Agency (PIPA) will also be reformed. The PIPA Board will be increased to include 17 members, seven of which will be representatives of private sector institutions and a representative of the Ministry of Local government. The amendments grant tax exemptions and incentives to new sectors such as real estate development and environmental projects as well as amending the terms of exemption for other sectors. For example, projects in the ICT sector are now granted tax exemptions based on the number of employees, not on the size of capital. Tourism, health and education projects are granted additional exemptions from customs duties and taxes on procurement of furniture and maintenance supplies for five years. Foreign and Palestinian investors now enjoy the same incentives and exemptions. Specific development projects will also be eligible for exemptions and incentives if recommended by the PIPA Board and approved by the Council of Ministers. The minimum threshold for eligible investment projects has been raised to \$250,000 (from \$100,000) and the exemption period varies according to the size of the project. Projects from \$250,000 to \$1m will be tax exempt for seven years; \$1m to \$5m for nine years; and projects larger than \$5m for 11 years. The law is yet to be put into effect, as this will follow a public information campaign about the new law, which will take place in Palestinian newspapers later in February or early March. Currently, PIPA is in the process of contacting existing investors with projects benefiting from the current investment law no. (1) 1998 in order to go through the necessary procedures to ensure they are eligible under the new law.

Chapter 3

Capital Budgeting Techniques

3.1 Introduction:

This chapter addresses the topic of capital budgeting techniques and attempts to give a clear idea about them. For this purpose, the chapter addresses the following points: related to capital budgeting techniques, basic assumptions of capital budgeting techniques, stages of capital budgeting, types of investment proposals, methods of capital budgeting, decision rules of capital budgeting techniques, advantages and disadvantages of capital budgeting techniques, & limitations of capital budgeting.

3.2 Definitions of Capital Budgeting Techniques

The following are definitions related to capital budgeting techniques:

Capital Investment Appraisal: is the application of a set of methods of quantitative analysis which give guidance to managers in making decisions as to how best to invest long-term funds (Weetman, 2010).

Capital Budgeting: The long term planning for making and financing investments that affect financial results over a period longer than just the next year (Horngren et.al,2005).

Capital Expenditure: An outlay of funds by the firm that is expected to produce benefits over a period of time greater than one year (Gitman, 2009).

Discounted Cash-Flow(DCF) Models: A type of capital budgeting model that focuses on cash inflows and outflows while taking into account the time value of money(Horngren et.al,2005). In addition, Besley and Brigham, (2007) defined **Discounted Cash-Flow(DCF) Models** as "Methods of evaluating investment proposals that employ time value of money concepts".

Weetman, (2010) defined **The time value of money** as" the name given to the idea that 1 dollar invested today will grow with interest rates over times".

Gitman, (2009) defines **Unlimited funds** as" the financial situation in which a firm is able to accept all independent projects that provide an acceptable return".

Net Present Value (NPV) Method: A discounted cash flow approach to capital budgeting that computes the present value of all expected future cash flows using a minimum desired rate of return (Horngren et.al, 2005). In addition, Harrington,(1998) defined **Net Present Value method** "the present value of all current and future benefits less the present value of all current and future costs". While Weetman, (2010) defined **Net Present Value method** as "the present value of the cash inflows minus the present value of the cash outflows, all discounted at the cost of capital". Whereas Besley and Brigham, (2007) defined **Net Present Value** as" a method of evaluating capital investment proposals by finding the present value of future net cash flows, discounted at the rate of return required by the firm".

Profitability Index: the present value of an investment's future cash flows divided by its initial cost. Also called the benefit-cost ratio (Ross et.al., 2011).

Average Accounting Return: an investment's average net income divided by its average book value (Ross et.al., 2011). While, Weetman, (2010) defined **Average Accounting Return** as "the average annual profits from a project taken as a percentage of the invested capital". In addition, Atrill, (2010) defined **Average Accounting Return** as "a method that takes the average accounting profit that the investment will generate and expresses it as a percentage of the average investment made over the life of the project".

Required Rate of Return (hurdle rate, discount rate): the minimum desired rate of return, based on the firm's cost of capital(Horngren et.al, 2005). Whereas, Besley and Brigham, (2007) defined the **Required Rate of Return** as" the discount rate that the IRR must exceed for a project to be considered acceptable".

Internal Rate of Return(IRR) Model: A capital budgeting model that determines the interest rate at which the NPV equals zero (Horngren et.al, 2005). Whereas, Weetman, (2010) defined the **Internal Rate of Return** as the " the discount rate at which the present value of the cash flows generated by a project is equal to the present value of the capital invested, so the net present value of the project is zero". In addition, Besley and Brigham, (2007) defined the **Internal Rate of Return** as "the discount rate that forces the present value of a project's expected cash flows to equal its initial cost".

Payback Period: the amount of time required for an investment to generate cash flows sufficient to recover its initial cost (Ross et.al., 2011). While, Weetman, (2010) defined **Payback Period** as "the length of time required for a stream of net cash inflows from a project to equal the original cash outlay". Whereas, Besley and Brigham, (2007) defined **Payback Period** as "the length of time before the original cost of an investment is recovered from the expected cash flows". In addition, Harrington,(1998) defined **Payback Period** as "a method that measures the number of years before the annual net benefits of the project equal its initial cost".

Weetman, (2010) also defined **Payback method** "as the method that calculates the length of time required for a stream of net cash inflows from a project to equal the original cash outlay".

Independent Projects: are those projects whose cash flows are not affected by other projects(Ehrhardt & Eugene,2011). While, Besley and Brigham, (2007) defined the **Independent Projects** as" projects whose cash flows are not affected by decisions made about other projects".

Mutually Exclusive Projects: are those projects whose cash flows are affected by other projects(Ehrhardt & Eugene, 2011). In addition, Besley and Brigham, (2007) defined the **Mutually Exclusive Projects** as "a set of projects in which the acceptance of one project means the others cannot be accepted".

3.3 Basic Assumptions of Capital Budgeting Techniques

The basic assumptions of capital budgeting techniques are as follows (Clark et.al.,1998):

- 1-The primary function of management is to increase the value of the firm as reflected by the price of the common stock.
- 2-Owners have preference to current ,as opposed to future, cash flows.
- 3- Shareholders are risk averters.
- 4-In the evaluation of capital budgeting projects, the analysis is based upon the incremental cash flows directly attributable to the project.
- 5-Cash flow analysis may differ from accounting income reporting.

6-Since capital investment decisions rest upon multi-period estimates of cash flows, a formalized forecasting procedure is essential to the process.

7- The trend in asset acquisition by the firm indicates management's risk posture.

8- Every capital project has to be financed, and there are no free sources of capital.

9- Capital budgeting always involves allocating scarce resources among competing investment opportunities.

3.4 Stages of Capital Budgeting

The following are the stages of capital budgeting (Horngren et al., 2012):

Stage 1: Identify Projects Identify potential capital investments that are consistent with the strategy of the organization. That is, if a specific firm sought a strategy of product differentiation, it should list possible upgrades and changes from its present offering. Alternatively, a strategy of cost leadership could be promoted by projects that improve productivity and efficiency. Identifying which types of capital projects to invest in is largely the responsibility of senior line managers.

Stage 2: Obtain Information Gather relevant information from all parts of the value chain to evaluate alternative projects. Some projects may be rejected at this stage due to lack of information about them.

Stage 3: Make Predictions make projections for all expected future cash flows attributable to the alternative projects. Capital investment projects generally involve large initial outlays, which are recovered over time through annual cash inflows and the disposal values from the termination of the project. As a result, they require the firm to make forecasts of cash flows several years into the future. BMW, for example, makes yearly estimates for cash flows and sets its investment budgets accordingly. Because of the greater uncertainty associated with these predictions, firms often carry out scenario analysis which involves analyzing a wide range of alternate scenarios.

Stage 4: Make A Decision by Choosing Among Alternatives Determine which investment yields the highest profits and the least cost to the organization. Using the quantitative information obtained in the third stage, the firm uses any one of several capital budgeting methodologies to determine which project best meets organizational goals. While capital budgeting calculations are typically limited to financial information, managers should use their judgment and intuition to factor in qualitative information and strategic considerations as well. For example, even if a proposed new line of cars meets its

financial targets on a standalone basis, Honda might decide not to pursue it further if it feels that the new model will harm its perceived quality among consumers and affect the value of the firm's brand.

Stage 5: Implement the Decision, Evaluate Performance, and Learn Given the complexities of capital investment decisions and the long time horizons they span, this stage can be separated into two phases:

1-Obtain funding and make the investments selected in the fourth stage. Sources of funding include internally generated cash flow as well as equity and debt securities sold in capital markets. Making capital investments is often an arduous task, laden with the purchase of many different goods and services. If Honda opts to build a new car, it must order steel, aluminum, paint, and so on. If some of the planned supplies are unavailable, managers must revisit and determine the economic feasibility of substituting the missing material with alternative inputs.

2- Track realized cash flows, compare against estimated numbers, and revise plans if necessary. As the cash outflows and inflows begin to accumulate, managers can verify whether the predictions made in stage 3 agree with the actual flows of cash from the project.

3.5 Types of Investment Proposals:

An **Investment Proposal** is a single undertaking or project being considered as an investment possibility. There are two types of investment proposals (Thuesen and Fabrycky, 2008):

1-Independent Proposals: Even though few proposals in a firm are truly independent, for practical purposes it is common to assume that certain proposals are independent. Usually, if proposals are functionally different and there are no obvious dependencies between them, it is reasonable to consider the proposals to be independent.

a proposal is said to be independent when the acceptance of a proposal from a set of proposals has no effect on the acceptance of any of the other proposal in the set. For example, proposals concerning the purchase of a numerically controlled milling machine, a security system, office furniture, and fork lift trucks would, under most circumstances, be considered independent.

2-Dependent Proposals: for many decision situations, a group of proposals will be related to one another in such a way that the acceptance of one of them will influence the acceptance of the others. Such interdependencies among proposals occur for a variety of reasons one reason might be that the acceptance of one proposal from the set precludes the acceptance of any of the others, another reason is that the acceptance of a proposal might be dependent on the acceptance of a prerequisite proposal. The following types are examples of the dependent proposals:

a- Proposals are said to be Mutually Exclusive if the proposals contained in the set of proposals being considered are related so that the acceptance of one proposal from the set precludes the acceptance of any of the others.

Mutually exclusive proposals usually occur when a decision maker is attempting to fulfill a need and there are a variety of proposals, each of which will satisfy that need.

For example, a road-building contractor may require additional earthmoving capability. there may be a number of types of equipment, each of which could perform the function desired. although these proposals may have different first costs and different operating characteristics, they are still considered to be mutually exclusive for decision-making purposes, since the selection of one precludes the selection of the others.

Another type of relationship between proposals arises from the fact that once some initial project is undertaken, a number of other auxiliary investments become feasible as a result of the initial investment. Such auxiliary proposals are called contingent proposals.

b- A **Contingent Proposal** is one whose acceptance is dependent on the acceptance of some prerequisite proposal, whose acceptance in turn is independent of the acceptance of the contingent proposal.

Thus, the purchase of computer software is contingent on the purchase of computer hardware. The construction of the third floor of a building is contingent on the construction of the first and second floors. A contingent relationship is one-way dependency between proposals.

When there are limitations on the amount of money available for investment and the initial cost of all the proposals exceeds the money available, financial inter-dependencies are introduced between proposals. These interdependencies are usually complex, and they will

occur whether the proposals are independent, mutually exclusive, or contingent. thus, whenever a budget constraint is imposed on some decision problem, interdependencies that may not be obvious are being introduced.

3.6 Methods of Capital Budgeting

3.6.1 Net Present Value (NPV):

This method evaluates the proposed capital investments projects by comparing their NPVs. According to this method, the capital investment project with the highest positive NPV is considered superior to the other proposed capital investments; and the capital investment is considered feasible only if its NPV exceeds zero (أبو هويدي، ٢٠١١).

Net Present Value (NPV) is the difference between the present value of the cash inflows from the capital investment and its initial cost (Braun, et al., 2010).

To be able to use the NPV, the following information must be available for the decision makers (أبو نصار، ٢٠٠٣) :

- The initial cost: this is the cash outflows required for the capital investment project to be carried out, usually in the first year of the project life and for one time only. However, there are investment projects that require additional cash outflows throughout the life of project.
- The expected annual cash inflows: represent the cash inflows expected to be received throughout the life of the investment.
- The required rate of return: which is sometimes called the cost of capital, or the discount rate. this represents the return that the investors desire from the proposed investment given that each investment has its own return that is heavily affected by the investment's risk.
- The life of the project: which is the expected number of years for the life of the project.
- Salvage value: which is the residual value of the asset after the end of its expected useful life.

The NPV can be found using a financial calculator or a spreadsheet. However, it is important to tackle the step-by-step approach to finding NPV as follows (Ehrhardt & Brigham,2011):

1. Calculate the present value of each cash flow discounted at the project's risk-adjusted cost of capital.
2. The sum of the discounted cash flows is defined as the project's NPV.

The equation for the NPV is

$$NPV = \left[\sum_{t=0}^n \frac{CF_t}{(1+r)^t} + \frac{SV}{(1+r)^t} \right] - CI$$

In case of having the cash outflows of the project distributed over the life of the project, then the NPV equation becomes:

$$NPV = \left[\sum_{t=m+1}^n \frac{CF_t}{(1+r)^t} + \frac{SV}{(1+r)^n} \right] - \left[\sum_{t=1}^m \frac{CI}{(1+r)^t} \right]$$

Where:

m is the number of years till the completion of the project

CF is the annual cash inflows

r is the discount rate

SV is the salvage value

CI is the initial cost

The projects are then selected based on the results of the projects' NPVs.

3.6.2 Internal Rate of Return(IRR):

According to Ivan, (2005), an approach, based on discounting principles, is the internal rate of return – which is the discount rate at which net present value of projects is zero. The IRR has one strong attraction: it provides a rate of return which is easier to interpret than the net present value. Hence, internal rate of return is essential for capital budgeting analysis.

The IRR computation is:

$$\text{NPV} = \text{CF}_0 + \frac{\hat{\text{CF}}_1}{(1 + \text{IRR})^1} + \frac{\hat{\text{CF}}_2}{(1 + \text{IRR})^2} + \dots + \frac{\hat{\text{CF}}_n}{(1 + \text{IRR})^n} = 0$$
$$\text{CF}_0 = \frac{\hat{\text{CF}}_1}{(1 + \text{IRR})^1} + \frac{\hat{\text{CF}}_2}{(1 + \text{IRR})^2} + \dots + \frac{\hat{\text{CF}}_n}{(1 + \text{IRR})^n}$$

as mentioned earlier in the definitions, Weetman, (2010) defines the internal rate of return as " the discount rate at which the present value of the cash flows generated by a project is equal to the present value of the capital invested, so the net present value of the project is zero".

Thus, according to this method, a project is considered acceptable only if its internal rate of return is equal to, or greater than the desired rate of return.

IRR can be found using trial and error approach. Then the IRR of the proposed project is compared to the cost of capital and is accepted only if the IRR exceeds the cost of capital (خصاونة، ٢٠١١).

3.6.3 Profitability Index(PI):

This is a discounted cash flows measure used to evaluate the proposed projects. This measure is much similar to the net present value. It is computed by dividing the present value of future cash flows by the initial cost instead of deducting the initial cost from the present value of the cash inflows from a project. The profitability index shows the relative profitability of any project, or the present value per dollar of initial cost (Ehrhardt & Brigham,2011).

Ross et.al., (2011) defines the profitability index as "the present value of an investment's future cash flows divided by its initial cost".

The profitability index can be found through applying the following equation:

$$\text{Profitability index} = \frac{\text{PV of future cash flows}}{\text{PV of initial investment}}$$

In other words, the profitability index tells how much dollars a specific project generates in returns for each dollar of investment.

A profitability index of 1 or greater denotes that the project earns at least the discount rate and is thus considered feasible.

3.6.4 Payback Period(PP):

According to Ivan, (2005), The Payback Period represents the amount of time that it takes for a capital budgeting project to recover its initial cost. The use of the Payback Period as a Capital Budgeting decision rule specifies that all independent projects with a Payback Period less than a specified number of years should be accepted. It is thus an unsophisticated measure used to evaluate the proposed projects. Gitman, (2006) defined the payback period as "the time needed to recover the initial cost of a project from its operating cash flows".

This method assumes that the best project is the project whose initial cost is recovered first, the following equation shows how the payback period is calculated in case of even cash inflows:

$$\text{Payback period} = \frac{\text{Net initial investment}}{\text{Uniform increase in annual future cash flows}}$$

However, in case of uneven cash inflows, the payback period is the number of periods until the initial cost is recovered.

Thus, to compute the payback period, the initial cost and the periodic cash inflows have to be known.

Because this method is simple to use, it is used to form a preliminary view that helps in the decision making process(النعمي والتيمي، ٢٠٠٩).

3.6.5 Accounting Rate of Return(ARR):

Atrill,(2010) defined **Average Accounting Return** as "a method that takes the average accounting profit that the investment will generate and expresses it as a percentage of the average investment made over the life of the project".

This method, thus, divides the average annual (accrual accounting) income of a project by a measure of the investment in it. It is also called the accrual accounting rate of return

method. The following equation illustrates the accounting rate of return (Horngren et al., 2012):

$$\text{Accrual accounting rate of return} = \frac{\text{Increase in expected average annual after-tax operating income}}{\text{Net initial investment}}$$

As it can be seen from the equation, to calculate the ARR, one needs to obtain two pieces of information:

- The average annual profit
- The average investment for the particular project.

This equation is merely the investment's average net income divided by its average book value.

3.6.6 Discounted Payback Period:

According to Titman, Keown, and Martin, (2011), firms use the discounted payback period to overcome the limitation of the traditional payback period that does not take into consideration the time value of money. Thus, the discounted payback period is the same as the traditional payback period except that it uses discounted cash flows.

3.7 Decision Rules of Capital Budgeting Techniques

Decision rules of Capital budgeting techniques are as follows (Ehrhardt & Brigham, 2011):

1-When NPV is used and the projects are :

- -Independent: if NPV is or exceeds zero, accept the project.
- -Mutually exclusive: accept the project with the highest positive NPV.

2-When IRR is used and the projects are :

- -Independent: if IRR exceeds WACC, accept the project.
- -Mutually exclusive: accept the project with the highest IRR.

3-When Profitability index(PI) is used and the projects are :

- -Independent: if PI is or exceeds ONE, accept the project.
- -Mutually exclusive: accept the project with the highest PI.

4-When Payback Period(PP) is used and the projects are (Gitman,2009) :

- -Independent: if the payback period is less than the maximum acceptable payback period, accept the project.
- -Mutually exclusive: accept the project with the shortest payback period.

5-When the average accounting rate of return is used and the projects are independents, a project is acceptable if its average accounting return exceeds a target average accounting return (Ross et.al., 2011).

But if the projects are mutually exclusive, then the project with the higher accounting rate of return is accepted.

3.8 Advantages and disadvantages of capital budgeting techniques

The most commonly used capital budgeting techniques include the following:

- Payback period
- Net present value
- Internal rate of return
- Accounting rate of return
- Profitability index

Advantages and disadvantages of payback period, net present value, internal rate of return, accounting rate of return, and the profitability index are as follows:

1-Payback Period

The payback period has the following advantages and disadvantages

Advantages:

According to Weetman, (2012), the payback method is widely used in practice, possibly because it is relatively "painless in its arithmetic" as he describes. In addition he states that another advantage is that it is considered a reflection of commercial realism in concentrating on projects which give early returns of cash flow. Moreover, it is a cautious method to take when product markets are uncertain and it is difficult to predict the long term cash flows from a project.

Disadvantages:

According to Weetman, (2012), the payback period has two major limitations:

One major limitation of the payback period is that it ignores the fact that investing funds in a long-term project has a cost in terms of the interest charged on the borrowed funds.

Another limitation is that in concentrating on the speed of recovery of cash flows, the method ignores any cash flows arising after the payback date.

2-Net Present Value

The net present value has the following advantages and disadvantages

Advantages:

According to Atrill,(2010), the NPV has the following advantages:

- The timing of the cash flows: the NPV considers the time value of money by discounting the cash flows according to when they arise.
- The whole of the relevant cash flows: NPV includes all of the relevant cash flows from a project regardless of when they arise.
- The objective of the business: the output of the NPV analysis has a direct bearing on the wealth of the shareholders of a business.

Disadvantages (Lawrence,2002):

- It can often be difficult to understand the results obtained.
- It assumes that interim payments received during the life of the project can be invested at the discount rate used in the calculation. This is often not a true statement and can be used to manipulate the results of the analysis.

3- Internal Rate of Return

The internal rate of return has the following advantages and disadvantages

Advantages (Lawrence,2002):

- Considers the time value of money.
- IRR has the advantage of having a well-understood resulting number

Disadvantages:

According to Ivan,(2005), the internal rate of return method has a number of potential difficulties as:

- **Timing of inflow and outflow:** the internal rate of return (IRR) rule fails in some cases when multinational corporations consider two proposals by the net present value (NPV) and the internal rate of return (IRR), because it ignores the ordering of the inflows and outflows.
- **Ambiguous Results:** Another problem of the internal rate of return (IRR) rule is that there can be multiple internal rates of return. For every change in sign of the cash flows through time, there can be an additional internal rate of return
- **Scale of Investment:** this is because IRR would ,for example, always consider an IRR of 25 percent to be preferable to an IRR of 20 percent, assuming an opportunity cost of 15 percent. Although accepting the project with the higher percentage return will often generate more wealth, this may not be the case. A \$15 million invested at 20 percent would make the stockholders richer than \$5 million invested at 20 percent.

4- Accounting Rate of Return

The accounting rate of return has the following advantages and disadvantages

Advantages:

According to Weetman,(2012), the accounting rate of return is considered a useful measure of the likely success of a project as it concentrates on the accounting profit.

Another advantage cited by Weetman,(2012) is that the accounting rate of return considers all the profits from a project over its life (in contrast to the payback period which ignores the cash flows after the payback period). Moreover, it assumes an even spread of cash flows throughout the accounting period.

Disadvantages:

According to Weetman,(2012), a major defect of the accounting rate of return is that it ignores the time value of money which means that there is a greater value in a cash flow of \$1 promised next year than in a cash flow of \$1 promised in a later year.

Thus, the accounting rate of return makes no distinction between two projects of the same average profit, one of which gives most of its profits earlier than the other.

Another limitation of the accounting rate of return is that it depends on the profits rather than the cash flows, which according to Weetman,(2012) includes a subjective accounting estimate of depreciation. Thus, the use of different depreciation methods

for different projects can distort a decision based on the accounting rate of return.

5- Profitability index

The profitability index has the following advantages and disadvantages (Lawrence,2002):

Advantages:

The profitability index considers the time value of money by discounting the cash flows according to when they arise.

The profitability index is easy to calculate.

Disadvantages:

It can often be difficult to understand the results obtained

It assumes that interim payments received during the life of the project can be Invested at the discount rate used in the calculation. This is often not a true statement and can be used to manipulate the results of the analysis

3.9 Limitations of capital budgeting techniques

The preparation of capital budgets have several limitations as follows (حنفي، ٢٠٠٢):

3.9.1 The firm's strategy and objectives: it is necessary for the firm to choose investment projects that meet its objectives, that are compatible with its overall policy and strategies, that maximize its value, that increase its market share, and boost its competitive advantage. Thus, the managers encounter the constraint of ranking the capital investments according to the firm's objectives and strategy.

3.9.2 Financing (capital rationing): determining the amount of money available for funding the capital investments, as well as specifying other sources of funds that can be used (capital structure). the financing constraint determines a maximum limit for the investments to be undertaken, thus managers should strike a balance between the investments to be undertaken and the available funding.

(٢٠٠٩) النعيمي والتميمي suggested two extra limitations for capital budgets:

3.9.3 Inflation: the financial manager should take the inflation into consideration when estimating the cash flows. Given that the cash inflows are more exposed to inflation than are the cash outflows because the cash inflows are received over a longer period of time.

3.9.4 Risks and uncertainties: risks in capital budgeting are the possible changes in the cash flows of the projects. These risks are usually impounded in the decisions of capital budgeting using a risk-adjusted rate.

Risks and uncertainties are of a particular concern to financial managers using CBT.

In this regard, Ross et.al., (2006) stated that " the key inputs into a DCF analysis are projected future cash flows. If these projections are seriously in error, then we have a classic GIGO system. In this case, no matter how carefully we arrange the numbers and manipulate them, the resulting answer can still be grossly misleading. This is the danger in using a relatively sophisticated technique like DCF. It is sometimes easy to get caught up in number crunching and forget the underlying nuts- and- bolts economic reality. The possibility that we will make a bad decision because of errors in the projected cash flows is called forecasting risk. Because of forecasting risk, there is the danger that we will think a project has a positive NPV when it really does not. How is this possible? It occurs if we are overly optimistic about the future, and, as a result, our projected cash flows don't realistically reflect the possible future cash flows".

To address the possibility of errors in the forecasts, useful tools are developed to identify areas where potential errors exist. These tools should assess the reasonableness of the firm's estimates and assess how much damage will be done by errors in those estimates.

The first line of defense against forecasting risk is simply to ask: what is it about this investment that leads to a positive NPV. The answer to this question should indicate something specific as the source of value. For example, if the proposal under consideration involved a new product, then the questions such as the following should be raised: is the firm certain that the new product is significantly better than that of the competitors? Can the firm truly manufacture at a lower cost, or distribute more effectively, or identify undeveloped market niches, or gain control of the market. The " What-If analysis" method is used to forecast risk as follows:

What-If analysis (Ross et.al., 2006)

When investigating a new project, the first thing to do is to estimate NPV based on the projected cash flows. this can be called the base case. Now, however, the firm should recognize the possibility of error in those cash flow projections. After completing the base case, a firm would wish to investigate the impact of different assumptions about the future on its estimates.

The way to organize this investigation is to put an upper and lower bound on the various components of the project. The basic form of what-if analysis is called scenario analysis, which can be used to investigate changes in a firm's NPV that result from asking questions like, what if unit sales realistically should be projected at 5,500 units instead of 6,000?

Chapter 4

Research Methodology

4.1 Introduction:

This chapter describes the methodology that was used in this research. The adopted methodology to accomplish this Research addresses the following points: The method of the Research, research population and sample size, the tool of the Research, the research design, the validity and the reliability of the research, the results of the internal validity, the results of the structure validity, the results of the reliability of the questionnaire.

4.2 The Research Method

The Research utilized the descriptive analytical procedure to explore and describe "The use of capital budgeting techniques in selecting investment projects in the Palestinian corporations in Gaza strip". It is also worth mentioning that the descriptive analytical procedure attempts to compare, explain, and evaluate the results in the sake of reaching meaningful generalizations that are to enrich the related literature.

The Research used two basic information sources:

- 1- The secondary sources: those represent the sources used in the theoretical framework of the research such as books, the related Arabic and foreign references, periodicals, articles, reports, researches and the previous studies that addressed the same topic as well as searching and exploring different internet websites.
- 2- The primary sources: to deal with the analytical perspectives of the research topic, questionnaires were designed and used as the main tool to collect data by distributing them to the individuals working in the Palestinian corporations in Gaza strip.

4.3 Research Population and Sample Size

The population of the Research includes all the staff members of the eighteen Palestinian public corporations registered in the ministry of economy-Gaza. The Research intended to include all the population of the Research; but after visiting the corporations, it has been found that four of the corporations have left Gaza strip. In addition, one financial corporation was totally destroyed during the last Israeli assault on Gaza strip. In light of the

preceding situation, only ten corporations were included, which are the existing corporations that accepted to answer the questionnaires, and a number of fifty questionnaires were administered to employees working in the investment and finance departments in those corporations and the Research received back forty questionnaires. That is, the response rate was 80%. The following are the properties of the sample:

Personal Information:

1. Qualification:

Table No.(1) shows that 20.0% from the sample individuals holds "Community college degree", 57.5% from the sample individuals holds "bachelor degree", 22.5% from the sample individuals holds "master degree".

Table No.(1)
Qualification

Qualification	Frequency	Percentages
Community college	8	20.00%
bachelor	23	57.5%
master	9	22.5%
Total	40	100%

As indicated in the table, 80% of the respondents holds bachelor degree or master degree. This ensures that the respondents have the required educational qualifications to understand and objectively respond to the questions about the use of capital budgeting techniques. What, in turn, gives more credibility to the answers received from the sample respondents.

2. Specialization:

Table No.(2) shows that 50.0 % from the sample individuals specialized in " Accounting", 32.5 % from the sample individuals specialized in "Business administration" , 7.5% from the sample individuals specialized in "Economics", and 10.0% from the sample individuals specialized in "Financial sciences" .

Table No.(2)
Specialization

Specialization	Frequency	Percentages
Accounting	20	50%
Business administration	13	32.5
Economics	3	7.5
Financial sciences	4	10
Total	40	100

As indicated in the table, 50% of the respondents have an accounting major. In addition, the other respondents specialized in related fields. This ensures that the respondents have the proper and convenient accounting background to understand and objectively respond to the questions about the use of capital budgeting techniques.

3.Job:

Table No.(3) shows that 7.5 % from the sample individuals holds the job of "staff member" , and 7.5% from the sample individuals holds the job of "head of department", and 45.0% from the sample individuals holds the job of "manager", and 40.0% from the sample individuals holds job of "Director general" .

Table No.(3)
Job

Job	Frequency	Percentages
staff member	3	7.50%
head of department	3	7.50%
manager	18	45.00%
Director general	16	40.00%
Total	40	100%

As indicated in the table, 85% of the respondents are either managers or director generals. This ensures that the respondents are well-acquainted with the firm related information about the use of capital budgeting techniques in their firms.

4.Experience (years):

Table No.(4) shows that 12.5% from the sample individuals has years of experience that is "less than 5 years", and 42.5% from the sample respondents has years of experience that is "from 5 to 10 years", and 22.5% from the sample respondents has years of experience "from 11 to 15 years", and 22.5% from the sample respondents has years of experience that is "More than 15 years ".

Table No.(4)
Experience (years)

Experience (years)	Frequency	Percentages
less than 5 years	5	12.5%
5-10 years	17	42.5
11-15 years	9	22.5
More than 15 years	9	22.5
Total	40	100

As indicated in the table, 87.5% of the respondents have years of experience of at least 5 years. This ensures that the respondents have the required knowledge and awareness about the use of capital budgeting techniques in their firms.

5.Age:

Table No.(5) shows that 20.0% from the ages of the sample individuals is " less than 30 years", 62.5% from the ages of the sample individuals is between "30-40 years", 10.0% from the ages of the sample's individuals is between "41-50 years" , and 7.5 % from the ages of the sample's individuals is " More than 50 years ".

Table No.(5)
Age

Age	Frequency	Percentages
less than 30 years	8	20.00%
30-40 years	25	62.5
41-50 years	4	10
More than 50 years	3	7.5
Total	40	100

As indicated in the table, 80% of the respondents are either thirty years old or older. This signals that the respondents are rational enough to answer questions about the use of capital budgeting techniques in their firms.

6.Classification of the firm:

Table No.(6) shows that 52.5 % from the sample firms are classified as "industrial", 32.5% from the sample firms are classified as "insurance", 15.0% from sample firms are classified as "service".

Table No.(6)
Classification of the firm

classification of the firm	Frequency	Percentages
industrial	21	52.5
insurance	13	32.5
service	6	15
Total	40	100%

As indicated in the table, the agricultural and the commercial sector are not represented. However, the majority of the sectors that the corporations belong to is represented in the sample.

4.4 The Tool of The Research

A questionnaire has been designed on "the use of capital budgeting techniques in selecting investment projects in the Palestinian corporations in Gaza strip".

The content of the Questionnaire:

The questionnaire was provided with a covering letter explaining the purpose of the Research, the way of responding, the aim of the research and the security of the information in order to encourage a high response. The questionnaire included multiple choice questions: which are widely used in the questionnaire, The variety in these questions aims first to test the research hypotheses, meet the research objectives, and to collect all the necessary data.

The Structure of The questionnaire:

The sections in the questionnaire were designed to obtain responses that helps to verify the hypotheses of the research related to the use of capital budgeting techniques in selecting investment projects as follows:

The first part: is related to general information about the respondent such as age ,experience, qualifications, major, job and the classification of corporation for which the respondent work, this part consists mainly of six questions.

The second part: which is composed of five sub parts that contain forty questions concerning the Research as follows:

The first section: is a set of five questions that aims to investigate the use of capital budgeting techniques in the investment selection process in the Palestinian corporations in Gaza strip.

The second section: is a set of five questions that aims to investigate the methods used in the Palestinian corporations in Gaza strip when determining the required rate of return from the investment projects.

The third section: is a set of eight questions that aims to investigate the factors taken into consideration when adopting a technique of capital budgeting as a basis for comparing alternative investment projects in the public Palestinian corporations in Gaza strip.

The fourth section: is a set of sixteen questions that aims to find out possible obstacles to the use of capital budgeting techniques when selecting investment projects in the Palestinian corporations in Gaza strip.

The fifth section: is a set of six questions that aims to find out the methods of capital budgeting usually used by the Palestinian corporations in Gaza strip to assess different operations such as expansion in existing operations, capital investment projects, expansion in new operations, foreign operations, general administrative projects, social projects.

And all questions follow the following scale:

Level	Very high	high	moderate	Low	Very Low
Degree	5	4	3	2	1

4.5 Research Design

The first phase of the master thesis proposal included an introduction, identifying and defining the problems, Research hypotheses, the Importance of the Research, the limitations of the Research, establishing the objectives of the Research, reviewing the related literature and developing a research plan.

The second phase of the research was a chapter about the capital investments.

The third phase of the research was a chapter about the capital budgeting techniques.

The fourth phase of the research included a field survey which was conducted on the use of capital budgeting techniques in selecting investment projects in the Palestinian public corporations in Gaza strip.

The fifth phase of the research focused on the modification of the questionnaire design through conducting a pilot Research as well as having the questionnaire evaluated by a number of academic staff in the related fields of accounting and statistics. The purpose of the pilot Research was to test and prove that the questions of the questionnaire are clear to be answered in a way that helps to achieve the target of the Research. The questionnaire was modified based on the results of the pilot Research.

The sixth phase of the research focused on distributing the questionnaire to employees working in the investment and finance department in the sample corporations. This questionnaire was used to collect the required data in order to verify the research hypotheses.

The seventh phase of the research was data analysis and discussion. Statistical Package for the Social Sciences, (SPSS) was used to perform the required analysis.

The final phase includes the conclusions and recommendations.

Figure (1) shows the methodology flow chart, which leads to achieve the research objective.

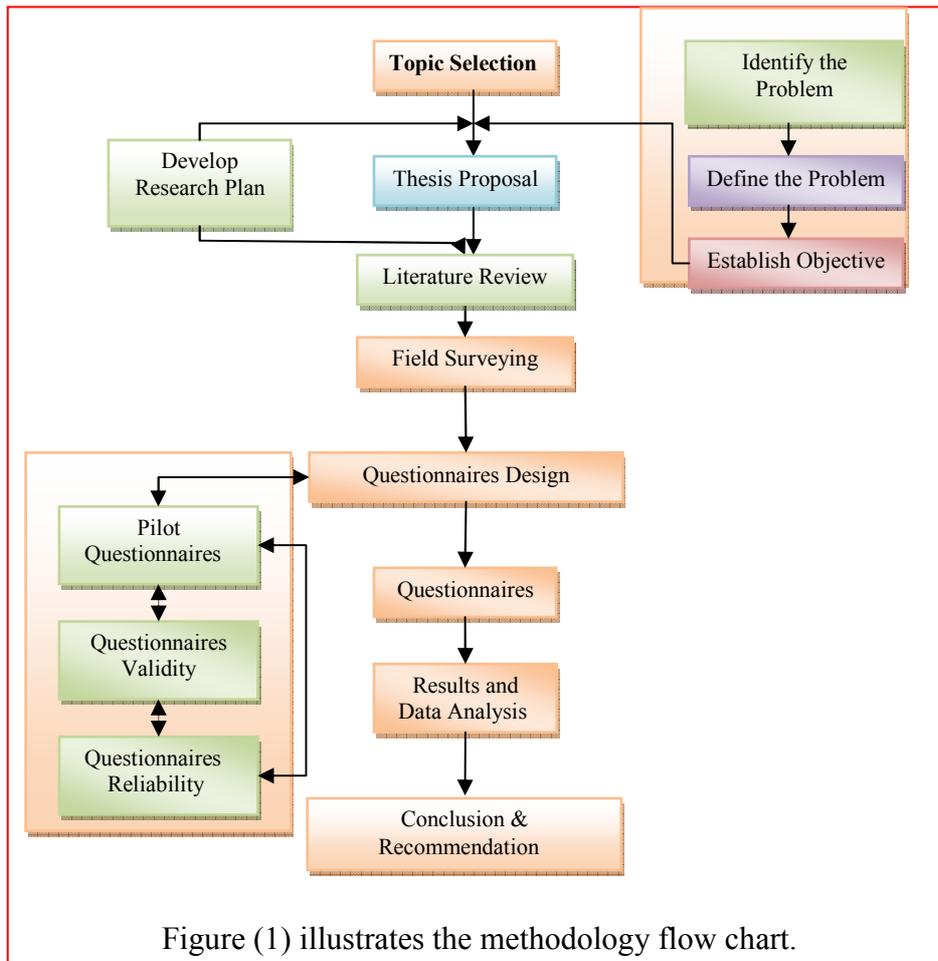


Figure (1) illustrates the methodology flow chart.

4.6 Validity and Reliability of The Questionnaire

The validity of the questionnaire investigates whether the questionnaire can measure what it is supposed to measure, the Research followed four procedures to ensure the validity of the questionnaire:

1- The Judgment/Evaluation of The Questionnaire:

The questionnaire was administered to a number of academic staff specializing in relevant fields (mainly accounting and statistics) to evaluate and judge the questionnaire. The names of the professors, associate professors, and assistant professors who judged the questionnaire are listed in appendix no.(1). the Research responded to the opinions by omitting some items and amending other items of the questionnaire. The final questionnaire (in English) is presented in the appendix no.(2) and the final questionnaire (in Arabic) is presented in the appendix no.3.

2- Pilot Research:

A pilot Research was conducted to test the questionnaire before administering the questionnaire to the sample individuals. It provided a trial run for the questionnaire, which involves testing the wordings of question, identifying ambiguous questions, testing the techniques that were used to collect data, and measuring the effectiveness of the questionnaire in asking the questions in a standard and an unbiased perception by the respondents .

3- The Validity of The Measurement:

a- Internal Validity: this measures the extent to which each question is compatible with the set of questions that it belongs to, the Research measured the internal validity through calculating the correlation coefficients between each question and the set that it belongs to.

b- Structure Validity: this is one of the measures of the questionnaire's validity that measures the extent to which the objectives that the questionnaire intends to meet are met. The Research measured the structure validity by calculating the extent to which each set of questions is correlated with the degree of the questionnaire as a whole.

4- The Reliability of The Questionnaire:

This means that the questionnaire should give the same results if it has been administered for more than one time under the same conditions and circumstances. In other words, it measures the extent to which the results of the questionnaire are stable when redistributed to the sample's individuals many times. The Research conducted two procedures to test the reliability of the questionnaire: the Half Split Method and Cronbach's Alpha Coefficient.

4.7 The Results of The Internal Validity

Internal Consistency:

Internal consistency of the questionnaire is measured by a scouting sample, which consisted of twenty five questionnaires, through measuring the correlation coefficients between each paragraph in one field and the whole field. Tables No.'s (7-11) below show the correlation coefficient and p-value for each field items. As shown in the tables, the p-Values are less than 0.05 or 0.01, so the correlation coefficients of this field are significant at $\alpha = 0.01$ or $\alpha = 0.05$, so it can be said that the paragraphs of this field are consistent and valid to measure what it was supposed to measure.

Table(7)

The correlation coefficient between each paragraph in the field and the whole field
(the use of capital budgeting techniques in selecting investment projects in the firm)

No.	question	Pearson coefficient	p-value
1	The firm uses NPV when evaluating investment projects.	0.757	0.000
2	The firm uses IRR when evaluating investment projects.	0.784	0.000
3	The firm uses PBP when evaluating investment projects.	0.692	0.000
4	The firm uses AAR when evaluating investment projects.	0.589	0.002
5	The firm uses PI when evaluating investment projects.	0.506	0.010

Table(8)

The correlation coefficient between each paragraph in the field and the whole field
(Methods used in determining the required rate of return from investment projects in the firm)

No.	question	Pearson coefficient	p-value
1	The firm uses the weighted average cost of capital(WACC).	0.688	0.000
2	The firm uses the weighted average cost of capital(WACC) adjusted for the project's risk.	0.824	0.000
3	The firm uses the weighted average cost of capital(WACC) adjusted for division's risk.	0.617	0.001
4	The firm uses the weighted average cost of capital(WACC) adjusted for country's risk.	0.789	0.000
5	The firm determines the required rate of return based on project's risk associated with financing the project.	0.872	0.000

Table(9)

The correlation coefficient between each paragraph in the field and the whole field
(Factors taken into consideration when adopting a technique of capital budgeting for choosing among proposed investment projects)

No.	question	Pearson coefficient	p-value
1	Simplicity and convenience of the technique.	0.737	0.000
2	Cost associated with the use of the technique.	0.706	0.000
3	Available data and information for the company.	0.802	0.000
4	The competencies and skills of the existing staff.	0.857	0.000
5	Priority is given to the capital budgeting techniques that concentrates on the cash flow.	0.764	0.000
6	Priority is given to the capital budgeting techniques that consider the time value of money.	0.377	0.063
7	The firm avoids the techniques that does not consider all the cash flows from the project.	0.795	0.000
8	The management conviction of the technique.	0.823	0.000

Table(10)
The correlation coefficient between each paragraph in the field and the whole field
(Obstacles to the use of capital budgeting techniques)

No.	question	Pearson coefficient	p-value
1	Lack of management's conviction of the capital budgeting techniques undermines their use in the firm.	0.444	0.026
2	Uncertainty is considered an important reason why some firms are reluctant to use capital budgeting techniques.	0.453	0.023
3	The availability of effective alternatives for evaluating investment projects undermines the use of CBT.	0.532	0.006
4	Capital budgeting techniques consumes a lot of time.	0.779	0.000
5	The use of capital budgeting techniques is too costly	0.506	0.010
6	The existence of outside institutions for managing the investments undermines the use of capital budgeting techniques .	0.691	0.000
7	The political and economic situations in Gaza strip undermine the use of capital budgeting techniques.	0.520	0.008
8	Lack of the due skills and competencies needed to use the capital budgeting techniques is an obstacle to the use of CBT.	0.550	0.004
9	Unavailability of the necessary data and information is an obstacle to the use of CBT.	0.575	0.003
10	Lack of confidence is an obstacle to the use of CBT.	0.696	0.000
11	lack of the appropriate training for personnel is an obstacle to the use of CBT.	0.554	0.004
12	Lack of specialized managerial accountants undermine the use of capital budgeting techniques.	0.582	0.002
13	the existence of incompetence and unskillful workers in the investment department in your firm is an obstacle to the use of CBT.	0.510	0.009
14	the inability of management in the firm to understand the results of the capital budgeting techniques' analysis is an obstacle to the use of CBT.	0.656	0.000
15	the management of the firm is inefficient in managing the investments.	0.880	0.000
16	The firm's contraction with external consultants specialized in investment management undermines the use of capital budgeting techniques.	0.622	0.001

Table(11)

The correlation coefficient between each paragraph in the field and the whole field
(methods usually used to assess the different operations by the company (more than one method can chosen))

No.	question	Pearson coefficient	p-value
1	Expansion in existing operations.	0.595	0.002
2	Capital investment projects	0.471	0.018
3	Expansion in new operations	0.416	0.039
4	Foreign operations	0.736	0.000
5	General administrative projects	0.796	0.000
6	Social projects	0.487	0.013

4.8 The Results of The Structure Validity

Structure Validity of the Questionnaire:

Structure validity is the second statistical test that is used to test the validity of the questionnaire structure by testing the validity of each field and the validity of the whole questionnaire. It measures the correlation coefficient between one field and all the fields of the questionnaire.

As shown in table No. (12), the significance values are less than 0.05 or 0.01, so the correlation coefficients of all the fields are significant at $\alpha = 0.01$ or $\alpha = 0.05$, so it can be said that the fields are valid to measure what they were supposed to measure in order to achieve the main aim of the Research.

Table No. (12)
Structure Validity of the Questionnaire

Number	section	Pearson correlation coefficient	p-value
1	The use of capital budgeting techniques in selecting investment projects in your firm	0.709	0.000
2	Methods used in determining the required rate of return from investment projects in your firm	0.892	0.000
3	Factors taken into consideration when adopting a technique of capital budgeting for choosing among proposed investment projects	0.753	0.000
4	Obstacles to the use of capital budgeting techniques	0.475	0.016
5	Methods usually used to assess the following operations by your company	0.764	0.000

4.9 The Results of The Reliability of The Questionnaire

The Reliability of The Research:

The Reliability of an instrument is the degree of consistency with which it measures the attributes that it is supposed to be measuring. The test is repeated to the same sample of people on two occasions and then the scores obtained are compared by computing a reliability coefficient. For most purposes, a reliability coefficient above 0.7 is considered satisfactory. A Period of two weeks to a month is recommended between the two tests. Due to complicated conditions that the respondents face at the time they respond to the questionnaire, it was too difficult to ask them to respond to our questionnaire twice within short period. The statistician explained that, overcoming the distribution of the questionnaire twice to measure the reliability can be achieved by using Half Split Method and Kronpakh Alpha coefficient through the SPSS software.

1-Half Split Method

This method depends on finding Pearson correlation coefficient between the means of odd rank questions and even rank questions of each field of the questionnaire. Then, correcting the Pearson correlation coefficients can be done by using Spearman Brown correlation coefficient of correction. The corrected correlation coefficient (consistency coefficient) is computed according to the following equation :

Consistency coefficient = $2r/(r+1)$, where r is the Pearson correlation coefficient. The normal range of corrected correlation coefficient $2r/(r+1)$ is between 0.0 and + 1.0 As shown in Table No.(13), all the corrected correlation coefficients values are between 0.8152 and 0.8824 and the general reliability for all items equal 0.8588, and the significant (α) is less than 0.05 so all the corrected correlation coefficients are significance at $\alpha = 0.05$. Thus, it can be said that according to the Half Split method, the questionnaire is considered reliable.

Table (13)
Split-Half Coefficient method

Number	section	Pearson-correlation	Spearman-Brown Coefficient	Sig. (2-Tailed)
1	The use of capital budgeting techniques in selecting investment projects in your firm.	0.7296	0.8436	0.000
2	Methods used in determining the required rate of return from investment projects in your firm	0.7005	0.8239	0.000
3	Factors taken into consideration when adopting a technique of capital budgeting for choosing among proposed investment projects	0.6924	0.8182	0.000
4	Obstacles to the use of capital budgeting techniques	0.7895	0.8824	0.000
5	Methods usually used to assess the following operations by your company	0.7758	0.8737	0.000
	Total	0.7525	0.8588	0.000

2-Cronbach's Alpha Coefficient

This method is used to measure the reliability of the questionnaire between each field and the mean of the whole fields of the questionnaire. The normal range of Cronbach's coefficient alpha value between 0.0 and + 1.0, and the higher values reflects a higher degree of internal consistency. Sekaran,(2005) stated that a value of 60% is acceptable whereas a value of 90% is excellent. As shown in Table No. (14) the Cronbach's alpha coefficient was calculated for the first field which is "the use of capital budgeting techniques in selecting investment projects in the firms", the second field which is "the methods used in determining the required rate of return from investment projects in the firms", the third field which is "the factors taken into consideration when adopting a technique of capital budgeting for choosing among proposed investment projects", the fourth field which is "the obstacles to the use of capital budgeting techniques" and the fifth field which is "the methods usually used to assess specific operations by the company". The results of the Cronbach's alpha coefficient were in the range from 0.8391 to 0.9157,

and the general reliability for all items equal 0.8896. This range is considered high; the result ensures the reliability of the questionnaire.

Table (14)
Cronbach's Alpha for Reliability

Number	section	No. of Items	Cronbach's Alpha
1	The use of capital budgeting techniques in selecting investment projects in the firm	5	0.8678
2	Methods used in determining the required rate of return from investment projects in the firm	5	0.8539
3	Factors taken into consideration when adopting a technique of capital budgeting for choosing among proposed investment projects	8	0.8391
4	Obstacles to the use of capital budgeting techniques	16	0.9157
5	Methods usually used to assess the specific operations by your company	6	0.9057
	Total	40	0.8896

4.10 Statistical Techniques Used:

To achieve the research goal, the Research used the statistical package for the Social Science (SPSS) for Manipulating and analyzing the data.

Statistical methods used are as follows:

- 1- Frequencies and Percentile.
- 2- Alpha-Cronbach Test for measuring reliability of the items of the questionnaires.
- 3- Person correlation coefficients for measuring validity of the items of the questionnaires.
- 4- spearman –Brown Coefficient.
- 5- one sample t test.
- 6- one way ANOVA.
7. Scheffe test for multiple comparison.

Chapter 5

Data Analysis and Discussion

5.1 Introduction:

This chapter presents the results of testing the distribution of the data to determine whether the data follow normal distribution as well as the results of testing the research hypotheses. Thus, this chapter will address the following points: 1- Sample K-S Test, testing the first hypothesis, testing the second hypothesis, testing the third hypothesis, testing the fourth research hypothesis.

5.2 Testing The Distribution of The Sample

1- Sample K-S Test will be used to determine whether the data follow a normal distribution or not. this test is considered necessary for testing hypotheses as most of the parametric tests stipulate that the data be normally distributed. The results of the test are shown in table (15), this table illustrates that the calculated p-value is greater than 0.05 (p-value > 0.05), this, in turn, indicates that data follow a normal distribution, and so the parametric tests can be used.

Table (15)
1- sample K-S Test

Number	Section	Number of items	Statistic	P-value
1	The use of capital budgeting techniques in selecting investment projects in your firm	5	0.856	0.456
2	Methods used in determining the required rate of return from investment projects in your firm	5	0.744	0.638
3	Factors taken into consideration when adopting a technique of capital budgeting for choosing among proposed investment projects	8	0.666	0.767
4	Obstacles to the use of capital budgeting techniques	16	0.803	0.539
5	Methods usually used to assess the following operations by your company	6	0.736	0.651
	Total	40	0.856	0.456

5.3 Testing The Research Hypotheses

In the following tables, The Research used a one sample t test to test whether the opinions of the respondents about the content of the sentences are positive (mean weight greater than "50%" and the p-value less than 0.05) , the opinions of the respondents about the content of the sentences are neutral (p-value is greater than 0.05) or the opinions of the respondents about the content of the sentences are negative (weight mean less than "50%" and the p-value less than 0.05).

5.3.1 The First Hypothesis:

The Palestinian public corporations in Gaza strip use the capital budgeting techniques when choosing among investment projects at significant level $\alpha = 0.05$.

The Research used a one sample t test to test the opinions of the respondents about whether or not the capital budgeting techniques are used in selecting investment projects in their firms and the results are shown in Table No. (16) as follows:

1-In item No. (5) the weight mean equals "73.50%" and p-value equals " 0.000 " which is less than 0.05, this means (The respondents consider that their firms use PI when evaluating investment projects).

2-In item No. (2) the weight mean equals "65.00%" and p-value equals " 0.000" which is less than 0.05, this means (The respondents consider that their firms use IRR when evaluating investment projects).

3-In item No. (3) the weight mean equals "59.50%" and p-value equals " 0.032" which is less than 0.05, this means (The respondents consider that their firms use PBP when evaluating investment projects).

4-In item No. (4) the weight mean equals "56.50%" and p-value equals " 0.193" which is greater than 0.05, this means (The respondents are neutral as to whether their firms use AAR when evaluating investment projects).

5-In item No. (1) the weight mean equals "52.00%" and p-value equals " 0.578" which is greater than 0.05, this means (The respondents are neutral as to whether the NPV is used when evaluating investment projects).

The Result of Testing The First Hypothesis:

In general, the results for all items of the field show that the average mean equal 3.21 and the weight mean equal 64.20% which is greater than " 50%", the value of t test equals

3.354 which is greater than the critical value of 2.01 and the p-value equal 0.002 which is less than 0.05; thus, the Research have sufficient evidence to conclude that the Palestinian corporations in Gaza strip use the capital budgeting techniques when choosing among investment projects at a significance level of $\alpha=0.05$, This means that the Research accepts the first hypothesis at **significant level** $\alpha=0.05$. This result is consistent with the previous studies in that it found that the capital budgeting techniques were used. In addition, the result agreed with the Research of (Khamees, Al-Fayoumi & Al-thuneibat,2010) in that the profitability index was found to be the most used technique. However, it disagreed with (Shinoda,2010) in that it found that the five previously mentioned techniques were used while (Shinoda,2010) found that only the NPV and PBP were use.

Table(16)

The use of capital budgeting techniques in selecting investment projects in the firm

No.	Items	Mean	standard deviation	Weight mean	t-value	P-value
1	The firm uses NPV when evaluating investment projects.	2.60	1.128	52.00	0.561	0.578
2	The firm uses IRR when evaluating investment projects.	3.25	1.235	65.00	3.840	0.000
3	The firm uses PBP when evaluating investment projects.	2.98	1.349	59.50	2.227	0.032
4	The firm uses AAR when evaluating investment projects.	2.83	1.551	56.50	1.326	0.193
5	The firm uses PI when evaluating investment projects.	3.68	1.023	73.50	7.268	0.000
	Total	3.21	1.339	64.20	3.354	0.002

Critical value of t at df "39" and significance level 0.05 equal 2.01

The Following is The Result for The Methods Used for Determining The Required Rate of Return from Investments in The Palestinian Public Corporation in Gaza Strip:

The Research used a one sample t test to test the opinions of the respondents about the use of methods of determining the required rate of return from investment projects in their firms at significant level $\alpha=0.05$ and the results are shown in Table No. (17) that follows.

From table (17), it can be seen that the respondents were neutral as to whether their firms use the weighted average cost of capital(WACC), the weighted average cost of capital (WACC) adjusted for the project's risk, the weighted average cost of capital (WACC)

adjusted for division's risk, and the required rate of return based on project's risk associated with financing the project. However, the respondents considered that their firms do not use the weighted average cost of capital (WACC) adjusted for country's risk for determining the required rate of return from investments. This result is consistent with the Research of (Brijlal,2008) which found that non-quantitative techniques were used for determining the required rate of return. However, the result disagreed with Research of (Niels,2005) & the Research of (Ekeha,2011) that found that the cost of capital were used.

Table(17)

Methods used in determining the required rate of return from investment projects in the firm

No.	Items	Mean	Standard deviation	Weight mean	t-value	P-value
1	The firm uses the weighted average cost of capital (WACC).	2.38	1.334	47.50	-0.593	0.557
2	The firm uses the weighted average cost of capital (WACC) adjusted for the project's risk.	2.83	1.517	56.50	1.355	0.183
3	The firm uses the weighted average cost of capital (WACC) adjusted for division's risk.	2.40	1.236	48.00	-0.512	0.612
4	The firm uses the weighted average cost of capital (WACC) adjusted for country's risk.	1.98	1.387	39.50	-2.395	0.022
5	The firm determines the required rate of return based on project's risk associated with financing the project.	2.78	1.493	55.50	1.165	0.251
	Total	2.47	1.169	49.40	-0.162	0.872

Critical value of t at df "39" and significance level 0.05 equal 2.01

5.3.2 The Second Hypothesis:

The Palestinian corporations in Gaza strip consider many factors (such as cost of using the technique & the simplicity and convenience of the technique) before adopting any capital budgeting technique as a basis for comparing different investment projects at significant level $\alpha=0.05$.

The Research used a one sample t test to test the opinions of the respondents about the factors taken into consideration before adopting a technique of capital budgeting as a basis

for choosing among proposed investment projects and the results are shown in Table No. (18) as follows:

In item No. (3) the weight mean equals "73.00%" and p-value equals "0.000" which is less than 0.05, this means that the availability of data and information for the company is considered before adopting a technique of capital budgeting as a basis for choosing among proposed investment projects. This result asserts the importance of having the required data and information for the use of the capital budgeting techniques in the Palestinian corporations in Gaza strip because those techniques cannot be computed unless the required data and information are available.

In item No. (5) the weight mean equals "71.00%" and p-value equals "0.000" which is less than 0.05, this means that a priority is given to the capital budgeting techniques that concentrates on the cash flow. This result indicates that the Palestinian corporations in Gaza strip are well aware of the importance of the concentration on the CBTs that concentrate on the cash flows.

In item No. (7) the weight mean equals "62.50%" and p-value equals "0.001" which is less than 0.05, this means that the respondents agreed that their firms avoid the techniques that does not consider all the cash flows from the project when adopting a technique of capital budgeting as a basis for choosing among proposed investment projects. This asserts the importance of including all the cash flows from a project in the computations when using the capital budgeting techniques in the Palestinian corporations in Gaza strip.

In item No. (6) the weight mean equals "58.00%" and p-value equals "0.088" which is greater than 0.05, this means that the respondents are neutral as to whether priority is given to the capital budgeting techniques that consider the time value of money. This denotes that the Palestinian corporations in Gaza strip do not pay attention to the TVM.

The Result of Testing The Second Hypothesis:

In general, the results for all items of the field show that the average mean equal 3.34 and the weight mean equals 66.81% which is greater than "50%" and the value of t test equal 6.202 which is greater than the critical value which is equal 2.01 and the p-value equal 0.000 which is less than 0.05, thus, the Research have sufficient evidence to conclude that the Palestinian corporations in Gaza strip consider many factors (such as cost of using the technique and its simplicity) before adopting any capital budgeting technique as a basis for comparing different investment projects at significant level. This means that the Research

accepts the research hypothesis at **significant level** $\alpha=0.05$. This result is consistent with the Research of (Daunfeldt and Hartwig,2012) in that it found that the management's conviction affects the choice of the capital budgeting techniques.

Table(18)

The factors taken into consideration when adopting a technique of capital budgeting for choosing among proposed investment projects

No.	Items	Mean	standard deviation	Weight mean	t-value	P-value
1	Simplicity and convenience of the technique.	3.38	1.353	67.50	4.091	0.000
2	Cost associated with the use of the technique.	3.25	1.032	65.00	4.598	0.000
3	Available data and information for the company.	3.65	1.051	73.00	6.919	0.000
4	The competencies and skills of the existing staff.	3.38	1.275	67.50	4.341	0.000
5	Priority is given to the capital budgeting techniques that concentrates on the cash flow.	3.55	1.300	71.00	5.109	0.000
6	Priority is given to the capital budgeting techniques that consider the time value of money.	2.90	1.446	58.00	1.749	0.088
7	The firm avoids the techniques that does not consider all the cash flows from the project.	3.13	1.067	62.50	3.706	0.001
8	The management conviction of the technique.	3.50	1.109	70.00	5.701	0.000
	Total	3.34	0.857	66.81	6.202	0.000

Critical value of t at df "39" and significance level 0.05 equal 2.01

5.3.3 The Third Hypothesis:

There are many obstacles that undermine the use of capital budgeting techniques by the Palestinian corporations in Gaza strip when evaluating investment projects at significant level $\alpha=0.05$

The Research used a one sample t test to test the opinions of the respondents about the obstacles to the use of capital budgeting techniques by the Palestinian corporations in Gaza strip when evaluating investment projects and the results are shown in Table No. (19) as follows:

In item No. (9) the weight mean equals "68.00%" and p-value equals "0.000" which is less than 0.05, this means that the respondents agreed that the unavailability of the necessary data and information is an obstacle to the use of CBT. In addition, this result indicates that the unavailability of the necessary data and information is the greatest obstacle that undermine the use of the capital budgeting techniques in the Palestinian corporations in Gaza strip. Hence, it is important for those corporations to work on overcoming this obstacle.

In item No. (2) the weight mean equals "67.00%" and p-value equals "0.000" which is less than 0.05, this means that the respondents agreed that uncertainty is considered an obstacle to the use of CBT. Moreover, This result suggests that the uncertainty is the second largest obstacle to the use of CBT in the Palestinian corporations in Gaza strip.

In item No. (7) the weight mean equals "67.00%" and p-value equals "0.001" which is less than 0.05, this means that the political and economic situations in Gaza strip undermine the use of capital budgeting techniques from the point of view of the respondents. As the result indicates, this is the third largest obstacle to the use of CBT.

In item No. (10) the weight mean equals "52.00%" and p-value equals "0.618" which is greater than 0.05, this means that the respondents were neutral as to whether the lack of confidence is an obstacle to the use of CBT. Hence lack of confidence is not an important obstacle to the use of CBTs in those corporations.

In item No. (16) the weight mean equals "52.00%" and p-value equals " 0.634" which is greater than 0.05, this means that the respondents were neutral as to whether the firm's contraction with external consultants specialized in investment management undermines the use of capital budgeting techniques. Hence, the result suggests that this is not an important obstacle to the use if CBT in those corporations.

In item No. (6) the weight mean equals "43.00%" and p-value equals "0.119" which is greater than 0.05, this means that the respondents were neutral as to whether the existence of outside institutions for managing the investments undermines the use of capital budgeting techniques. As the result indicates, this is considered the least important obstacle undermining the use of CBT in those corporations.

The Result of Testing the Third Hypothesis:

In general, The results for all items of the field show that the average mean equal 2.97 and the weight mean equal 59.44% which is greater than "50%" and the value of t test equal 3.113 which is greater than the critical value which is equal 2.01 and the p-value equal

0.003 which is less than 0.05, thus, the Research have sufficient evidence to conclude that there are many obstacles that undermine the use of capital budgeting techniques by the Palestinian corporations in Gaza strip when evaluating investment projects at significance level $\alpha=0.05$. This means that the Research accepts the research hypothesis at **significant level** $\alpha=0.05$. This result is consistent with the result of the Research of (Abdulsamad ,2009) in that it found that lack of competent staff & information were reasons for not using CBT.

Table(19)
The obstacles to the use of capital budgeting techniques

No.	Items	Mean	standard deviation	Weight mean	t-value	P-value
1	Lack of management's conviction of the capital budgeting techniques undermines their use in the firm.	2.88	1.159	57.50	2.047	0.047
2	Uncertainty is considered an important reason why some firms are reluctant to use capital budgeting techniques.	3.35	1.122	67.00	4.791	0.000
3	The availability of effective alternatives for evaluating investment projects undermines the use of CBT.	3.33	1.071	66.50	4.870	0.000
4	Capital budgeting techniques consume a lot of time.	2.93	1.289	58.50	2.086	0.044
5	The use of capital budgeting techniques is too costly	2.98	1.025	59.50	2.931	0.006
6	The existence of outside institutions for managing the investments undermines the use of capital budgeting techniques.	2.15	1.388	43.00	1.595	0.119
7	The political and economic situations in Gaza strip undermine the use of capital budgeting techniques.	3.35	1.477	67.00	3.639	0.001
8	Lack of the due skills and competencies needed to use the capital budgeting techniques is an obstacle to the use of CBT.	2.75	1.335	55.00	1.184	0.243
9	Unavailability of the necessary data and information is an obstacle to the use of CBT.	3.40	1.257	68.00	4.529	0.000
10	Lack of confidence is an obstacle to the use of CBT.	2.60	1.257	52.00	0.503	0.618
11	Lack of the appropriate training for personnel is an obstacle to the use of CBT.	3.03	1.187	60.50	2.797	0.008
12	Lack of specialized managerial accountants undermine the use of capital budgeting techniques.	2.93	1.607	58.50	1.672	0.103
13	The existence of incompetence and unskillful workers in the investment department in your firm is an obstacle to the use of CBT.	3.00	1.468	60.00	2.155	0.037
14	The inability of management in the firm to understand the results of the capital budgeting techniques' analysis is an obstacle to the use of CBT.	3.00	1.432	60.00	2.208	0.033
15	The management of the firm is inefficient in	3.30	1.471	66.00	3.439	0.001

	managing the investments.					
16	The firm's contraction with external consultants specialized in investment management undermines the use of capital budgeting techniques.	2.60	1.317	52.00	0.480	0.634
	Total	2.97	0.959	59.44	3.113	0.003

Critical value of t at df "39" and significance level 0.05 equal 2.01

The Following Results Are for Capital Budgeting Techniques Used for The Various Operations:

Table No. (20) shows the methods usually used to assess the different types of operations by the corporations as follows:

1. For "Expansion in existing operations" , " AAR" was used with a percentage of 40.0 % , " PI" with a percentage of 20.0% , "PB " with a percentage of 30.0% and "IRR " with a percentage of 0.10 % . This result means that the AAR was the most use technique of capital budgeting for assessing the expansion in existing projects, whereas the net present value was not used at all and is thus the least used technique for assessing expansion in existing operations.

2. For "Capital investment projects" , " AAR" was used with a percentage of 12.5% , " PI" with a percentage of 35.0% , "PB " with a percentage of 45.0% , "IRR " with a percentage of 5.0% and " NPV" with a percentage of 2.5%. This result means that the payback period was the most use technique of capital budgeting for assessing capital investment projects while the net present value was also the least used technique for assessing capital investment projects.

3. For "Expansion in new operations" , " AAR" was used with a percentage of 2.5 % , " PI" with a percentage of 27.5% , "PB " with a percentage of 37.5% , "IRR " with a percentage of 20.0 % and " NPV" with a percentage of 12.5%. This result means that the payback period was the most use technique of capital budgeting for assessing expansion in new operations while AAR was the least used technique for assessing expansion in new operations.

4.For "Foreign operations" , " PI" was used with a percentage of 35.0% , "PB" with a percentage of 35.0 % , "IRR " with a percentage of 15.0%, " NPV" with percent 15.0%, but " AAR" was not used. This result indicates that both the profitability index and the payback period were the most used techniques for assessing the foreign operations while the AAR was not used at all and is thus the least used technique for assessing foreign operations.

5.For "General administrative projects", " AAR" was used with a percentage of 12.5 % , " PI" with a percentage of 37.5% , "PB " with a percentage of 27.5% , "IRR " with a percentage of 10.0 % and " NPV" with a percentage of 12.5 % . Thus, the profitability index was the most used technique for assessing general administrative projects whereas IRR was the least used technique for assessing general administrative projects.

6.For "Social projects", " AAR" was used with a percentage of 22.5% , " PI" with a percentage of 37.5 % ,"PB" with a percentage of 17.5% , "IRR " with a percentage of 17.5% and "NPV" with a percentage of 5.0%. Thus, the profitability index was the most used technique for assessing social projects whereas NPV was the least used technique for assessing social projects.

Table(20)
Methods usually used to assess the different operations by the company

No.	Items	AAR	PI	PB	IRR	NPV
1	Expansion in existing operations.	40.0	20.0	30.0	10.0	0.0
2	Capital investment projects	12.5	35.0	45.0	5.0	2.5
3	Expansion in new operations	2.5	27.5	37.5	20.0	12.5
4	Foreign operations	0.0	35.0	35.0	15.0	15.0
5	General administrative projects	12.5	37.5	27.5	10.0	12.5
6	Social projects	22.5	37.5	17.5	17.5	5.0
	Average	15.0	32.1	32.1	12.9	7.9

5.3.4 The Fourth Hypothesis:

There are no differences at the significance level $\alpha = 0.05$ in the responses about use of capital budgeting techniques in selecting investment projects due to organizational factors (Such as Qualification, Specialization, Job, Experience, Age, and classification of the firm).

1 Testing the differences in the responses about "the use of capital budgeting techniques in selecting investment projects" due to qualification at significance level $\alpha = 0.05$.

To test the hypothesis the Research used the one way ANOVA and the result illustrated in tables no.(21) which show that the p-value equal 0.184 which is greater than 0.05 and the value of F test equal 1.775 which is less than critical value of 3.25, that means that there are no differences at significant level $\alpha = 0.05$ in the responses about the use of capital budgeting techniques in selecting investment projects due to Qualifications.

Table No.(21)

One way ANOVA test for the difference in responses about the use of capital budgeting techniques in selecting investment projects due to Qualification

Field	Sources	Sum of Squares	df	Mean Square	F value	Sig.(P-Value)
The use of capital budgeting techniques in selecting investment projects	Between Groups	2.180	2	1.090	1.775	0.184
	Within Groups	22.725	37	0.614		
	Total	24.905	39			

Critical value of F at df "2,37" and significance level 0.05 equal 3.25

2 Testing the differences in the responses about "The use of capital budgeting techniques in selecting investment projects" due to Specialization at significance level $\alpha = 0.05$.

To test the hypothesis the Research used the one way ANOVA and the result illustrated in tables no.(22) which show that the p-value equal 0.035 which is less than 0.05 and the value of F test equal 3.181 which is greater than critical value which is equal 2.87, that means that there are differences at significant level $\alpha = 0.05$ in the responses about the use of capital budgeting techniques in selecting investment projects due to Specialization, and from scheffe test table no.(23) shows that the difference is between the "Financial sciences" and "the Economics" specializations and that the difference is in favor of "Financial sciences".

Table No.(22)

One way ANOVA test for the difference in responses about the use of capital budgeting techniques in selecting investment projects due to Specialization

Field	Sources	Sum of Squares	df	Mean Square	F value	Sig.(P-Value)
The use of capital budgeting techniques in selecting investment projects	Between Groups	5.218	3	1.739	3.181	0.035
	Within Groups	19.687	36	0.547		
	Total	24.905	39			

Critical value of F at df "3,36" and significance level 0.05 equal 2.87

Table No.(23)

Scheffe test for multiple comparison

Difference in means	accounting	B.A	Economics	Financial sciences
accounting		-0.148	1.240	-0.287
B.A	0.148		1.388	-0.139
Economics	-1.240	-1.388		-1.527
Financial sciences	0.287	0.139	1.527	

3 Testing the differences in the responses about "the use of capital budgeting techniques in selecting investment projects" due to Job at significance level $\alpha = 0.05$.

To test the hypothesis the Research used the one way ANOVA and the result illustrated in tables no.(24) which show that the p-value equal 0.421 which is greater than 0.05 and the value of F test equal 0.963 which is less than the value of critical value which is equal 2.87, that's means there are no differences at significant level $\alpha = 0.05$ in the use of capital budgeting techniques in selecting investment projects due to Job.

Table No.(24)

One way ANOVA test for the difference in responses about the use of capital budgeting techniques in selecting investment projects due to Job

Field	Sources	Sum of Squares	df	Mean Square	F value	Sig.(P-Value)
The use of capital budgeting techniques in selecting investment projects	Between Groups	1.850	3	0.617	0.963	0.421
	Within Groups	23.055	36	0.640		
	Total	24.905	39			

Critical value of F at df "3,36" and significance level 0.05 equal 2.87

4 Testing the differences in the responses about "the use of capital budgeting techniques in selecting investment projects" due to Experience at significance level $\alpha = 0.05$.

To test the hypothesis the Research used the one way ANOVA and the result illustrated in tables no.(25) which show that the p-value equal 0.725 which is greater than 0.05 and the value of F test equal 0.441 which is less than the value of critical value which is equal 2.87, that's means there are no differences at significant level $\alpha = 0.05$ in the use of capital budgeting techniques in selecting investment projects due to Experience.

Table No.(25)

One way ANOVA test for the difference in responses about the use of capital budgeting techniques in selecting investment projects due to Experience

Field	Sources	Sum of Squares	df	Mean Square	F value	Sig.(P-Value)
The use of capital budgeting techniques in selecting investment projects	Between Groups	0.884	3	0.295	0.441	0.725
	Within Groups	24.021	36	0.667		
	Total	24.905	39			

Critical value of F at df "3,36" and significance level 0.05 equal 2.87

5 Testing the differences in the responses about "the use of capital budgeting techniques in selecting investment projects" due to Age at significance level $\alpha = 0.05$.

To test the hypothesis the Research used the one way ANOVA and the result illustrated in tables no.(26) which show that the p-value equal 0.377 which is greater than 0.05 and the value of F test equal 1.062 which is less than the value of critical value which is equal 2.87, that's means there are no differences at significant level $\alpha = 0.05$ in the use of capital budgeting techniques in selecting investment projects due to Age.

Table No.(26)

One way ANOVA test for the difference in responses about the use of capital budgeting techniques in selecting investment projects due to Age

Field	Sources	Sum of Squares	df	Mean Square	F value	Sig.(P-Value)
The use of capital budgeting techniques in selecting investment projects	Between Groups	2.024	3	0.675	1.062	0.377
	Within Groups	22.881	36	0.636		
	Total	24.905	39			

Critical value of F at df "3,36" and significance level 0.05 equal 2.87

6 Testing the differences in the responses about "the use of capital budgeting techniques in selecting investment projects" due to classification of the firm at significance level $\alpha = 0.05$.

To test the hypothesis the Research used the one way ANOVA and the result illustrated in tables no.(27) which show that the p-value equal 0.512 which is greater than 0.05 and the value of F test equal 0.581 which is less than the value of critical value which is equal 3.25, that's means there are no differences at significant level $\alpha = 0.05$ in the use of capital budgeting techniques in selecting investment projects due to classification of the firm.

Table No.(27)

One way ANOVA test for the difference in responses about the use of capital budgeting techniques in selecting investment projects due to the classification of the firm

Field	Sources	Sum of Squares	df	Mean Square	F value	Sig.(P-Value)
The use of capital budgeting techniques in selecting investment projects	Between Groups	0.884	2	0.442	0.681	0.512
	Within Groups	24.021	37	0.649		
	Total	24.905	39			

Critical value of F at df "2,37" and significance level 0.05 equal 3.25

The Result of Testing The Fourth Hypothesis:

So, it can be concluded that there are no differences in the responses about the use of capital budgeting techniques due to the following organizational factors (qualification, age, job, experience, classification of the firm). However, there is difference in the responses due to specialization. In general, we have sufficient evidence to accept the fourth hypothesis.

Chapter 6

Conclusions & Recommendations

6.1 Introduction:

This chapter summarizes the conclusions that are drawn from the Research, the recommendations suggested by the Research, as well as the further studies suggested by the research.

6.2 Conclusions:

The following conclusions are drawn from the Research:

- 1- The Palestinian public corporations in Gaza strip use the capital budgeting techniques in the range from 61 to 80% when selecting investment projects.
- 2- The profitability index was found to be the most commonly used capital budgeting techniques in the Palestinian public corporations in Gaza strip while the net present value was found to be the least CBT used.
- 3- The Palestinian public corporations in Gaza strip do not use the weighted average cost of capital (whether adjusted or unadjusted) for determining the required rate of return from investment projects.
- 4- The Palestinian corporations in Gaza strip consider many factors before adopting any capital budgeting technique as a basis for comparing different investment projects and the availability of data and information for the company, followed by the preference of the CBT that concentrates on the cash flows and the management's conviction of the technique, was found to be the most important factor considered before adopting a technique of capital budgeting as a basis for evaluating proposed investment projects in the Palestinian public corporations in Gaza strip. In addition, the time value of money turned out to be the least important factor when adopting a capital budgeting technique as a basis for comparing different investment project.
- 5- There are many obstacles that undermine the use of capital budgeting techniques by the Palestinian corporations in Gaza strip when evaluating investment projects and the unavailability of the necessary data and information was found to be the most important obstacle undermining the use of capital budgeting techniques in the Palestinian public corporations in Gaza strip followed by the uncertainty surrounding the use of CBT and the political and the economic situations in Gaza strip. In addition, the availability of effective alternatives for evaluating investment

projects as well as the inefficiency of the managements of the corporations were found to have a relatively large negative impact on the use of capital budgeting techniques in the Palestinian corporations in Gaza strip. However, the existence of outside institutions for managing the investments was found to be the least important obstacle that undermines the use of capital budgeting techniques.

- 6- Average accounting return is the most used capital budgeting technique for assessing expansion in existing operations in the Palestinian corporations in Gaza strip. While, the Profitability index is the most used capital budgeting technique for assessing general administrative projects and social projects. Whereas, Payback period is the most used capital budgeting technique for assessing capital investment projects operations and expansion in new operations. However, Both payback period and profitability index were found to be the most used techniques for assessing foreign operations.
- 7- Internal rate of return is most often used for assessing expansion in new operations. While, net present value is most often used for assessing the foreign operations.
- 8- There are no differences at significant level $\alpha = 0.05$ in the responses of the sample about the use of capital budgeting techniques in selecting investment projects in the Palestinian corporations in Gaza strip due to qualifications, jobs, experience, age, and classification of the firm. However, there are differences in the responses due to specialization.

6.3 Recommendations:

According to the results of the Research, it suggests the following recommendations:

- 1- To increase the use of the net present value for evaluating proposed investment projects as it is the only method that measures the addition to the stockholders' wealth.
- 2- To use the WACC (whether adjusted or unadjusted) when making estimates for the required rate of return from proposed investment projects instead of subjective discount rates.
- 3- To train and improve the skills and competencies of the staffs working in the investment and finance departments in the Palestinian corporations.
- 4- To improve the management understanding of the results of the capital budgeting techniques analysis.
- 5- To give priority to the CBTs that consider the time value of money.
- 6- To exchange experiences among the Palestinian corporations in terms of the use of capital budgeting techniques.
- 7- To have a look on how corporations in developed countries deal with the issue of uncertainty when using the capital budgeting techniques.
- 8- To boost the culture of research and development in the firms.
- 9- Establishing government administrative information centers and databases to assist the researchers to get the data and information they need to conduct their researches.
- 10- Establishing investment departments in the organizational structure of the corporations which do not have such departments. The main functions of the investment departments are to evaluate new investment projects and any expansions by the corporation.

6.4 Further Research:

- a- The relationship between the size of the firm and the use of capital budgeting techniques.
- b- The effectiveness of the use of capital budgeting techniques in choosing the best available alternatives.

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Appendices

APPENDIX NO.1:

A list of the referees (academic staff who judged the questionnaire)

Number	Name	Major	University
1	Dr. Salem Helles	Accounting	The Islamic University of Gaza
2	Dr. Ali Shaheen	Accounting	The Islamic University of Gaza
3	Dr. Maher Durgham	Accounting	The Islamic University of Gaza
4	Dr. Esam El bhasi	Accounting	The Islamic University of Gaza
5	Dr. Hamdi zurob	Accounting	The Islamic University of Gaza
6	Dr. Nafez Barakat	Statistics	The Islamic University of Gaza
7	Dr. Sabri Mushtaha	Accounting	Alquds Almaftooha
8	Dr. Jabr El Daour	Accounting	Al-azhar University of Gaza
9	Dr. Mahmud Okasha	Statistics	Al-azhar University of Gaza
10	Dr. Ali Alnaami	Accounting	Al-azhar University of Gaza
11	Dr. Moen Rajab	Economics	Al-azhar University of Gaza

APPENDIX NO.2:

A List of The Palestinian Corporations That were Included in The Sample

NUMBER	NAME OF THE CORPORATION
1	BANK OF PALESTINE
2	GAZA AND THE SOUTHERN TOWNS CARS CO.
3	TRUST INTERNATIONAL INSURANCE
4	THE ISLAMIC PALESTINIAN BANK
5	AL-MULTAZEM INVESTMENT& INSURANCE CO.
6	AL-AMEEN INVESTMENT & FINANCING CO.
7	AHLEIA INSURANCE GROUP
8	MIDDLE EAST FACTORIES (MEGAFARM) CO.
9	THE ARABIC COMPANY FOR PACKAGING ACID PRODUCTS
10	PALESTINE ELECTRICITY CORPORATION

APPENDIX NO.3:
(Research Questionnaire in English)
Research Questionnaire

ALAZHAR UNIVERSITY-GAZA
FACULTY OF ECONOMICS & ADMINISTRATIVE SCIENCES
ACCOUNTING MASTER PROGRAM



Dear sir/ madam

The Research is conducting a research titled

"THE USE OF CAPITAL BUDGETING TECHNIQUES IN SELECTING INVESTMENT PROJECTS".

The Research is aimed at finding the extent to which the capital budgeting techniques are used when deciding on investment alternatives.

We hope that you are to cooperate with us so as to complete the Research, given that all provided information will be used for research purposes only & at a high degree of confidentiality.

With best regards

The researcher
MOHSEN ABUSHABAN

1-GENERAL INFORMATION ABOUT THE RESPONDEN

Please choose the appropriate answer:

1.Qualification:

Diploma bachelor master PHD

2.Specialization:

accounting B.A Economics Financial sciences

3.Grade:

staff member manager Director General other

4.Experience (years):

less than 5 5-10 11-15 More than 15

5.Age:

less than 30 30-40 41-50 More than 50

6.Classification of the firm:

service commercial insurance industrial Agricultural

2- The use of capital budgeting techniques in selecting investment projects in your firm:

Question\ Description	Very low	Low	Moderate	High	Very high
1-The firm uses NPV when evaluating investment projects.					
2-The firm uses IRR when evaluating investment projects.					
3-The firm uses PBP when evaluating investment projects.					
4-The firm uses AAR when evaluating investment projects.					
5-The firm uses PI when evaluating investment projects.					

3- Methods used in determining the required rate of return from investment projects in your firm:

Question\ Description	Very low	Low	Moderate	High	Very high
1-The firm uses the weighted average cost of capital(WACC).					
2- The firm uses the weighted average cost of capital(WACC) adjusted by project's risk.					
3- The firm uses the weighted average cost of capital(WACC) adjusted by division's risk.					
4- The firm uses the weighted average cost of capital(WACC) adjusted by country's risk.					
5- The firm determines the required rate of return based on project's risk associated with financing the project.					

4- Factors taken into consideration when adopting a technique of capital budgeting for choosing among proposed investment projects:

Question\ Description	Very low	Low	Moderate	High	Very high
1- Simplicity and convenience of the technique.					
2-Cost associated with the use of the technique.					
3- Availability of data and information for the company.					
4- The competencies and skills of the existing staff.					
5-Priority is given to the capital budgeting techniques that concentrates on the cash flow.					
6- Priority is given to the capital budgeting techniques that consider the time value of money.					

7- The firm avoids the techniques that does not consider all the cash flows from the project.					
8- The management conviction of the technique.					

5- Obstacles to the use of capital budgeting techniques:

Question\ Description	Very low	Low	Moderate	High	Very high
1- Lack of management's conviction of the capital budgeting techniques undermines their use in the firm.					
2-Uncertainty is considered an important reason why some firms are reluctant to use capital budgeting techniques.					
3- The availability of effective alternatives for evaluating investment projects undermines the use of CBT.					
4- Capital budgeting techniques consumes a lot of time.					
5-The use of capital budgeting techniques is too costly					
6- The existence of outside institutions for managing the investments undermines the use of capital budgeting techniques .					
7- The political and economic situations in Gaza strip undermine the use of capital budgeting techniques.					
8- Lack of the due skills and competencies needed to use the capital budgeting techniques is an obstacle to the use of CBT.					
9- Unavailability of the necessary data and information is an obstacle to the use of CBT.					
10- Lack of confidence in the CBT is an obstacle to the use of CBT.					
11- Lack of the appropriate training for personnel is an obstacle to the use of CBT.					
12- Lack of specialized managerial accountants undermine the use of capital budgeting techniques.					
13- The existence of incompetence and unskillful workers in the investment department in the firm is an obstacle to the use of CBT.					
14- The inability of management in the firm to understand the results of the capital budgeting techniques' analysis is an obstacle to the use of CBT.					
15- The management of the firm is inefficient in managing the investments.					
16- The firm's contraction with external consultants specialized in investment management undermines the use of capital budgeting techniques.					

Question\ Description	NPV	IRR	PB	PI	ARR
1- Expansion in existing operations.					
2- Capital investment projects					
3- Expansion in new operations					
4- Foreign operations					
5- General administrative projects					
6- Social projects					

Net present value (NPV), internal rate of return (IRR), payback period (PB), profitability index (PI), accounting rate of return (ARR)

With best regards
Mohsen Abushaban

APPENDIX NO.4:
(Research Questionnaire in Arabic)

بسم الله الرحمن الرحيم



جامعة الأزهر - غزة

كلية الاقتصاد والعلوم الإدارية

برنامج ماجستير المحاسبة

استبانة

عزيزي المجيب

تحية طيبة وبعد:

يقوم الباحث بإعداد دراسة بعنوان:

" مدى استخدام أساليب الموازنة الرأس مالية في عملية اختيار المشاريع الاستثمارية في الشركات
المساهمة العامة الفلسطينية بقطاع غزة".

وتهدف الدراسة للتعرف على مدى استخدام أساليب الموازنة الرأس مالية في عملية اختيار المشاريع
الاستثمارية في الشركات المساهمة العامة الفلسطينية بقطاع غزة .
أرجو من حضرتكم الإجابة على الأسئلة في هذه الاستبانة ، علما بان جميع المعلومات ستستخدم
لأغراض البحث فقط و بدرجة عالية من السرية .

شاكرين لكم حسن تعاونكم

الباحث
محسن أبو شعبان

١-معلومات عامة عن المجيب

اختر الإجابة المناسبة:

١. المؤهل العلمي:

دبلوم بكالوريوس ماجستير دكتوراه

٢. التخصص:

محاسبة إدارة أعمال اقتصاد علوم مالية

٣. الوظيفة:

مدير عام مدير رئيس قسم موظف

٤. الخبرة (السنوات):

٥-١ ٦-١٠ ١١-١٥ ١٦ فما فوق

٥. العمر:

أقل من ٣٠ ٣٠-٤٠ ٤٠-٥٠ أكثر من ٥٠

٦. نوع المؤسسة:

صناعي خدماتي تجاري زراعي تأمين

٢- مدى استخدام أساليب الموازنة الرأسمالية في عملية اختيار المشاريع الاستثمارية

السؤال / الوصف	قليلة جدا	قليلة	متوسطة	كبيرة	كبيرة جدا
١. تستخدم المنشأة طريقة صافي القيمة الحالية في عملية اختيار المشاريع الاستثمارية.					
٢. تستخدم المنشأة طريقة معدل العائد الحالي في عملية اختيار المشاريع الاستثمارية.					
٣. تستخدم المنشأة طريقة فترة الاسترداد في عملية اختيار المشاريع الاستثمارية.					
٤. تستخدم المنشأة طريقة معدل العائد المحاسبي في عملية اختيار المشاريع الاستثمارية.					
٥. تستخدم المنشأة طريقة مؤشر الربحية في عملية اختيار المشاريع الاستثمارية.					

٣- الطرق المستخدمة في تحديد معدل العائد المطلوب من المشروعات الاستثمارية

السؤال / الوصف	قليلة جدا	قليلة	متوسطة	كبيرة	كبيرة جدا
١. تستخدم المنشأة طريقة الوسط المرجح لتكلفة رأس المال.					
٢. تستخدم المنشأة طريقة الوسط المرجح لتكلفة رأس المال والمعدلة لتشتمل على مخاطرة المشروع.					
٣. تستخدم المنشأة طريقة الوسط المرجح لتكلفة رأس المال والمعدلة لتشتمل على مخاطرة القسم.					
٤. تستخدم المنشأة طريقة الوسط المرجح لتكلفة رأس المال والمعدلة لتشتمل على مخاطرة البلد.					
٥. تأخذ المنشأة بعين الاعتبار فقط المخاطرة الكلية من تمويل المشروع.					

٤- العوامل التي تؤخذ في الاعتبار عند اعتماد أحد أساليب الموازنة الرأسمالية للمفاضلة بين المشروعات الاستثمارية

السؤال / الوصف	قليلة جدا	قليلة	متوسطة	كبيرة	كبيرة جدا
١. سهولة وملائمة الأسلوب للتطبيق في المنشأة.					
٢. قلة التكاليف المترتبة على استخدام الأسلوب.					
٣. المعلومات والبيانات المتاحة للمنشأة.					
٤. الكفاءات العلمية والمهنية المتاحة للشركة.					
٥. تكون الأولوية لأساليب الموازنة الرأسمالية التي تركز على التدفق النقدي .					
٦. تكون الأولوية لأساليب الموازنة الرأسمالية التي تأخذ القيمة الزمنية للنقود بعين الاعتبار .					
٧. تتجنب الإدارة الأساليب التي لا تأخذ بالاعتبار التدفق النقدي بعد استرداد رأس المال المستثمر .					
٨. اقتناع الإدارة بأهمية الأسلوب المستخدم في عملية اتخاذ القرارات الرأسمالية.					

٥ - معوقات استخدام أساليب الموازنة الرأس مالية في المنشآت الفلسطينية:

كبيرة جدا	كبيرة	متوسطة	قليلة	قليلة جدا	السؤال / الوصف
					١. عدم اقتناع الإدارة في المنشأة بأساليب الموازنة الرأس مالية يقلل من استخدامها عند اتخاذ القرارات.
					٢. يعتبر عدم التأكد سببا مهما من أسباب إحجام المنشآت عن استخدام أساليب الموازنة الرأس مالية.
					٣. توفر بدائل فاعلة في عملية اختيار الاستثمارات يقوض الاعتماد على أساليب الموازنة الرأس مالية.
					٤. تستغرق أساليب الموازنة الرأس مالية وقتا أكثر من اللازم.
					٥. يعتبر استخدام أساليب الموازنة الرأس مالية مكلف من الناحية المادية.
					٦. وجود مؤسسات خارجية لإدارة الاستثمار يقوض الاعتماد على أساليب الموازنة الرأس مالية.
					٧. تعتبر الأوضاع الاقتصادية والسياسية السائدة في قطاع غزة من العوامل التي تحد من استخدام أساليب الموازنة الرأس مالية.
					٨. عدم توفر الخبرات والمهارات الكافية لاستخدام أساليب الموازنة الرأس مالية.
					٩. يعتبر عدم توفر البيانات والمعلومات الكافية من معوقات استخدام أساليب الموازنة الرأس مالية.
					١٠. يعتبر عدم توفر الثقة من معوقات استخدام أساليب الموازنة الرأس مالية.
					١١. يعتبر عدم توفر التدريب المناسب للموظفين من معوقات استخدام أساليب الموازنة الرأس مالية.
					١٢. يعتبر عدم وجود المحاسب الإداري المختص من معوقات استخدام أساليب الموازنة الرأس مالية.
					١٣. عدم كفاءة العاملين في مجال الاستثمار من معوقات استخدام أساليب الموازنة الرأس مالية.
					١٤. عدم قدرة الإدارة على فهم نتائج تحليل أساليب الموازنة الرأس مالية من معوقات استخدام أساليب الموازنة الرأس مالية.
					١٥. عدم كفاءة الإدارة في مجال الاستثمار من معوقات استخدام أساليب الموازنة الرأس مالية.
					١٦. تعاقد الشركة مع مستشارين خارجيين متخصصين في مجال الاستثمار يقوض الاعتماد على أساليب الموازنة الرأس مالية.

٦- الطرق المستخدمة عادة من قبل منشآتكم لتقييم الأنواع التالية من العمليات (يمكن اختيار أكثر من طريقة) :

السؤال / الوصف	صافي القيمة الحالية	فترة الاسترداد	مؤشر الربحية	متوسط العائد المحاسبي	معدل العائد الداخلي
١. العمليات التوسعية في المشروعات القائمة.					
٢. العمليات التوسعية في مشروعات جديدة.					
٣. مشروعات الاستثمارات الرأسمالية					
٤. العمليات الخارجية					
٥. المشاريع الإدارية العامة					
٦. المشاريع الاجتماعية					

مع تحيات الباحث
محسن أبو شعبان