THE RELATIONSHIP BETWEEN CURRENT PRACTICES OF CAPITAL BUDGETING TECHNIQUES AND FINANCIAL PERFORMANCE OF PRIVATE COMPANIES IN KANDY DISTRICT

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By

MAHARAMBE DUGGANNA RALALAGE SANDUNIKA RUWANGI THILAKARATHNA

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A Project Report

Submitted to the Faculty of Commerce and Management, Eastern University, Sri Lanka as a partial fulfillment of the Degree of Bachelor of Commerce Honours in Accounting and Finance

Department of Commerce

Faculty of Commerce and Management

Eastern University, Sri Lanka

2019

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ABSTRACT

Contemporary, private companies in Kandy district are facing many challenges which are closely connected to the changes that occur both in the field of capital budgeting techniques (NPV, IRR, PBP, ARR, PI) and financial performance. The private companies are very important for its contribution to the economic growth of a country. This study aimed at establishing how various CBT had impacted on the financial performance of private companies in Kandy district. This research analyzed past literature by identifying relevant themes and then thematic text analysis was employed. Thus, this research is subjective and adopted inductive approach in order to answering research questions.

Private companies in Kandy district are 331, out of the 165 companies' selected as sample. According to finding, descriptive statistic were highest mean value for strategic analysis therefore it has high level of contribution on financial performance. Regression analysis was the research method which was used to investigate the research problem. It includes the important variables that could be affected to the performance of the organization. The principal data collection techniques were questionnaire survey and semi structured interviews.

Results were analyzed with correlation analysis multiple regression and simple regression analysis. It was found that all CBT have strong positive relationship and impact on financial performance of private companies in Kandy district.

Keywords: *Capital budgeting, Capital budgeting Technique, Current Practices, Sri Lanka, Net Present Value, Internal Rate of Return, Pay Back Period, Accounting Rate of Return, Profitability Index.*

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