

ABSTRACT

Capital investment is a fundamental corporate activity that has long term strategic implications on any business organisation. Capital investment decisions are important decisions to be made by a company and are instrumental in the shaping of the company's future. A company must therefore make good capital investment decisions.

This study examines the actual capital budgeting practices of an electric utility company i.e. Tenaga Nasional Berhad (TNB) and compares them to practices presented by financial theory. The approach of the investigation is through an examination of four recently evaluated projects from the various divisions of the organisation. Findings from the report were supplemented by interviews with relevant personnel from the organisation.

The study revealed that some of the advocated capital budgeting tools are currently in use. However, these tools are not being employed universally throughout the organisation and there is a lack of standardisation in the use of these capital budgeting tools. Further improvement and standardisation in the utilisation of more sophisticated techniques are desired.