

CAPITAL BUDGETING PRACTICES OF CHINESE FIRMS

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ABSTRACT

The capital budgeting practices of U.S. firms have been studied extensively. Surveys show that U.S. executives have shifted away from non-discounted cash flow techniques to the use of the theoretically more correct discounted cash flow techniques. Studies of capital budgeting practices in the Asia-Pacific region have been limited. In contrast to the findings for U.S. companies, it appears that firms in these countries consider discounted and non-discounted cash flow techniques to be equally important in evaluating and ranking projects. This paper extends these studies by surveying executives of Chinese firms regarding their firms' capital budgeting practices.