

Answer on Question #69611 - Economics - Accounting

- Question:** 1. What do budgets show that helps decision-makers decide which projects to fund? Include both internal and external funders.
2. List several criteria management might use to complete the project selection process

Answer:

1. Internal funds:

A budget is a plan to control finances; ensure entrepreneur can continue to fund your current commitments; enable entrepreneur to make confident financial decisions and meet your objectives; ensure entrepreneur have enough money for your future projects.

To decide which project will add the most value to the company, managers use capital budgeting techniques. There are several capital budgeting analysis methods that can be used to determine the economic feasibility of a capital investment. They include the Payback Period, Discounted Payment Period, Net Present Value, Profitability Index, Internal Rate of Return, and Modified Internal Rate of Return. The values of these indicators are calculated on a budget basis. They help make a decision about funding the project.

External funds: Two common types of external funds are bond and stock issues. A company seeks external funds when it wishes to expand its operations or other activities, but lacks the cash flow to do it independently. Providers of external funds almost always expect to receive something in return; for example, bondholders expect interest and principle repayment, while stockholders expect to receive a portion of the ownership of the company.

2.

I. Understand role of manager

II. Understand organization

III. Understand the key benefit measurement methods

- A. Benefit Cost Analysis
- B. Payback Period
- C. Discounted Cash Flow Analysis
- D. Net Present Value (NPV)
- E. Opportunity Cost
- F. Scoring Models

IV. Conclusion

Sources:

www.infoentrepreneurs.org

<http://www.investopedia.com>

<http://projectmanagementacademy.net>

Answer provided by <https://www.AssignmentExpert.com>