Finance Simulation: **Capital Budgeting**

As the CEO and the head of New Heritage's capital committee, you will decide which projects should receive funding. The company's managers propose more projects for consideration than can be funded. As a result, some investments having positive present values at the appropriate cost of capital are rejected due to the limit on available capital. It is therefore necessary for the capital committee to select the best set of investments from the pool of available investment options in any given fiscal year.

The Board of Directors sets an annual limit on dollar funding for capital projects. This limit is based on a percentage of EBITDA generated in the prior fiscal year in addition to a fixed funding amount based on the firm's internal resources, its ability to raise additional capital and organizational constraints. Acquisitions and very large investments are funded by the acquisition of additional debt and these investments were not funded from the general capital investment pool.

Given the capital rationing situation at New Heritage, you will be unable to invest in all proposals, even if they are value-creating and exceed risk-adjusted hurdle rates. Your task is to evaluate proposed projects using the financial and qualitative information provided and to select projects to be approved for a given year's investment plan using any evaluation criteria you deem appropriate. You will be required to monitor your selected investments, evaluate new investment proposals and submit annual capital plans over a period of 5 years, from 2010 - 2014. Most projects are available for investment during more than one fiscal period.

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