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CAPITAL BUDGETING; FIXED INVESTMENT AND INVENTORY STUDIES

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Summary. This article describes the methodology of the profitability of investment projects which is used in Belarus and designed in accordance with the requirements of UNIDO, and the basic directions of synchronization taking into account the peculiarities of the national economy.

Key words: *investment project, efficiency of investment project, commercial profitability, national profitability, financial analysis.*

The Government of Belarus aims that by 2015 the percentage of direct foreign investment have reached 21 per cent of all sum of investment in fixed capital. Nevertheless, the situation is still deplorable. One of the factors which stop the foreign investment flows in Belarus is the technique used in the country to estimate the efficiency of investment projects and its difference from the internationally used technique. In the Rules of development business plans of investment projects the system of calculated rates may be classified in the following way:

- 1) Profitability rates (NPV, simple and discounted payback period, discount payback period of government support, IRR, additional value);
- 2) Financial rates (ROA, profit margin, break-even point)
- 3) Solvency rates (liquidity rates).

There are two types of investment profitability in accordance with the Manual for evaluation of industrial projects: commercial profitability and national profitability. Commercial profitability analysis is the first step in the economic appraisal of a project. It is concerned with assessing the

feasibility of a new project from the point of view of its financial results. The commercial profitability analysis comprises investment profitability analysis and financial analysis. There are the next steps in national profitability analysis:

1. Price adjustment;
2. Net national value added criterion:
 - a) absolute efficiency test;
 - b) relative efficiency test;
3. Additional indices:
 - a) employment effect;
 - b) distribution effect;
 - c) foreign-exchange effect;
4. National parameters
 - a) social rate of discount;
 - b) adjusted rate of foreign exchange.

To change the situation we decided to do the next. First of all, it should be developed special Guide for evaluation of investment projects. Secondly, cash flow should be corrected in accordance with international technique. Thirdly, although national profitability is very important in investment analysis, there is no special institution which will guide the investors.

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