A

PROJECT REPORT ON

“Capital Budgeting”

OF

ARSS INFRASTRUCTURE LIMITED

BHUBANESWAR

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I-MBA 8th SEMESTER BATCH (2018-2023)

(For the partial fulfillment of the requirement for the degree of I-MBA)

TO

Biju Patnaik Institute of Information Technology & Management Studies

Estd. 1999

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Chattered Accountant ,ARSS

DECLARATION

I do hereby declare that the project title "Capital Budgeting" of ARSS Infrastructure Project Limited, Bhubaneswar submitted by me for the partial fulfillment of the degree of integrated master in administration . It is the original piece of work carried out by me under the guidance and supervision of Mr. R.R Singh, Chattered Accountant of ARSS Infrastructure Project Ltd and my internal guide Dr. Ramakrushna Mishra , the information has been collected from genuine and authentic sources. It is my original work and the same has not been submitted for the award of any other degree diploma /fellowship or other similar title or prize.

Place: Bhubaneswar **Amisha Choudhury**

Date: **Regd No: 1813258005**

ACKNOWLEDGEMENT

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INTRODUCTION

(*Chapter-1*)

Capital budgeting is the process a business undertakes to evaluate potential major projects or investments.It is important because it creates accountability and measurability.

- Capital budgeting is used by companies to evaluate major projects and investments, such as new plants or equipment.
- The process involves analyzing a project's cash inflows and outflows to determine whether the expected return meets a set benchmark.
- The major methods of capital budgeting include discounted cash flow, payback, and throughput analysis

OBJECTIVE

- Selecting the most profitable investment is the main objective of capital budgeting.

- Evaluate the investment decision based on the theories of capital budgeting.
- Understanding the investment decisions that are taken at ARSS.
- Selecting investments in real assets that will increase the value of the company. It is said that the corporate objective is to maximize shareholders' wealth, that is maximize firm value.

SCOPE OF THE STUDY

The scope of the present study includes the following:-

- Understanding the importance of Capital budgeting at ARSS.
- Evaluating an investment proposal of setting up facility at the ARSS , for construction.

The study covers the calculation of Paybackperiod , Net present value ,Profitability index ,Internal rate of return etc. This study helps in deciding whether to invest or not in a long-term investment whose returns are realized after five or ten years or more. The percentage helps in analyzing the funds for investment.

The decisions are grouped into:

a. Replacement Decisions :

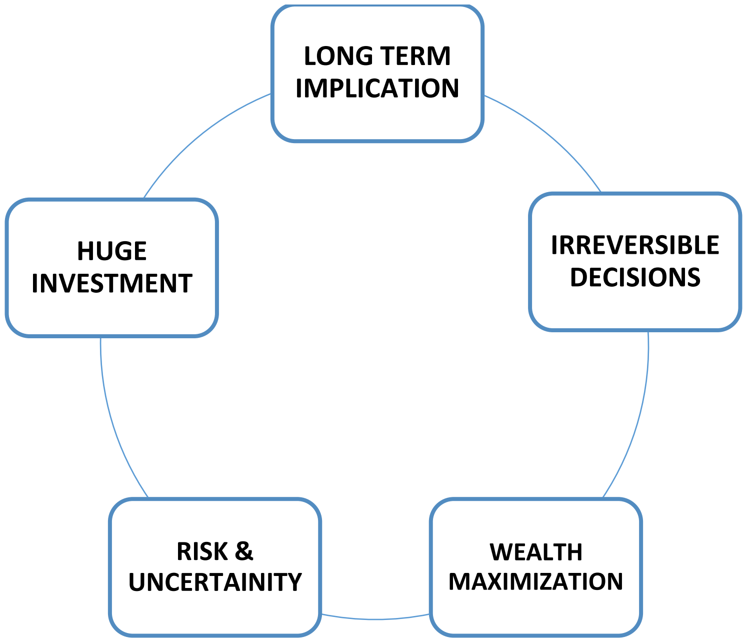
The decision concerning whether an existing asset should be replaced by a newer version of the same machine or even a different type of machine that has the same functionality as the existing machine.

b. Decision on expenditure:

The decision based on expenditure for increasing the present operating level or expansion through improved network distribution.

c. **Decision to comply with regulatory structure:** Regulatory structure affects the operations ofthe company .Investment in assests to comply with conditions imposed by environmental protection Act.

IMPORTANCE OF CAPITAL BUDGETING



- **<u>LONG TERM IMPLICATIONS:</u>**

A capital budgeting decisions has its effect over a long time span and inevitably affects the company's future cost structure as well as growth. A wrong decision can became disastrous for long term survival of firm.

- **<u>HUGE INVESTMENT:</u>**

Capital budget requires huge requirements of funds, but the available funds are limited , therefore the firm before investing on projects plan and control its capital expenditure.

- **<u>IRREVERSIBLE DECISION:</u>**

The capital investments decisions are irreversible , are not changed back. Once the decision is taken ofpurchasing a permanent assest , it is very difficult to dispose off those assest without involving huge losses.

- **<u>RISK & UNCERTAINITY:</u>**

Capital budgeting decision is surrounded by great number of uncertainties. Investment is present and investment is future. The future is uncertain and full of risks .Longer the duration of projects, greater is the risk and uncertainty. The estimates about cost, revenues and profits may not come true.

- **WEALTH MAXIMIZATION:**

Wealth maximization is the concept of enhancing the value of a business with the objective of pushing up the value of the shares held by stockholders.

TYPES OF CAPITAL BUDGETING

Accept –Reject Decision:

This is a fundamental decision in capital budgeting. If the project is accepted, the firm would invest in it; if the proposal is rejected, the firm does not invest in it.

Capital Rationing Decision:

Capital rationing refers to a situation in which a firm has more acceptable investments than it can finance. It is concerned with the selection of a group of Investment proposals out of many investment proposals acceptable under the accept-reject decision.

Mutually exclusive decision:

It includes all those projects which compete with each other in a way that acceptance of one precludes the acceptance of others. Thus some technique has to be use for selecting the best among all and eliminates other alternatives.

RESEARCH METHODOLOGY

Research methodology implies a systematic attempt by the research to obtain knowledge about subject under study. This is systematic way to show the problem and it is important components of the study without which a research may not able obtain the facts and figures from employees.

The study banks upon both primary as well as secondary sources for gathering the required information.

Primary Data Sources:

The primary data needed for the project analysis has been collected from individual official guides views and meeting the various financial departments of ARSS construction company.

Secondary Data Sources:

- Annual Report
- Official record in an organization
- File
- Books and Subjects & Website

LIMITATION OF STUDY

- Company does not allow for entering into some kind of account as per their company policy.
- They did not give the task on time ,that’s why I lost sometime.
- Due to the confidential financial records , the data is not exposed and that made the study difficult and was not detailed properly.
- Since the study is based on the financial data that are obtained from the company’s financial statement, the limitations of the financial statement shall be equally applicable.

CHAPTER -2

2.1-Company Profile
2.2-SWOT Analysis

COMPANY PROFILE

HISTORY OF ARSS:

The company came into being as a Private limited one with name and title ARSS STONES PVT LTD (abbreviated as ARSSSPL) in the year 2000 AD duly registered with the Registrar of Companies Orissa. Within a span of two years i.e. in 2002 we ventured into the field of construction of Major Bridges on well foundation. The company has proposed to take up high value technical contracts in the entire country.The company achieved a turnover of Rs. 312.00 Cr within a short period upto 2007-2008 years, due to the determined effort. The turnover increased manifolds during 2008-09 is Rs 628.24 Cr.The Company has entered into construction of railway tracks, bridges, road & buildings etc.

ARSS INFRASTRUCTURE PROJECT LIMITED:

Corporate Identification Number: U141030R20000PLC006230

Registered Office **Corporate office**

Plot No-38,Sector –A ,Zone –D **Plot No-141,SBI colony**

PanchamiVihar **New Delhi -110063**

Mancheswar Industrial Estate, **Tel- 91-11-45538638**

Bhubaneswar -751015,Odisha

Website: www.arssgroup.in

BUSINESS SUMMARY:

The company is engaged in construction activities in India. It undertakes construction of railway infrastructure, roads, highways, bridges and irrigation projects. We started as a construction company in the field of railway infrastructure development , mainly in the state of Odisha and subsequently expands its business activities in the zonal jurisdiction of east coast Railway , South Eastern Railway, South East Central Railway , Southern Railway and north western railway. It has developed expertise in railway construction projects, which includes earthwork , major and minor bridges ,supply of ballast , sleepers ,laying of sleepers and rails linking of track etc. Construction projects are typically awarded through competitive binding process to bidders with certain eligibility requirements based on their past experience , technical capabilities and financial strength . The company has enter into standalone basis as well as through project specific joint ventures .We have entered into joint ventures with national and international players such as PT Adhikarya (Persero), Harish Chandra(India) Limited, TriveniEngicons Private Limited, RITES, Kalindee Rail Nirman (Engineers) Limited, Patel Engineering Ltd. , Rohit Kumar Das Construction Private Limited, Backbone Enterprises Ltd & Atlanta Ltd.

It has successfully completed over 200 km rail line and more than 300 km roads and highways . It has presence in eastern India, particularly in the state of Odisha. However, in recent years it has pursued opportunities in other part of India including state of Chhattisgarh , Rajasthan , Jharkhand ,Haryana , Kerala , Andhra Pradesh , Maharashtra , Tamil Nadu , Gujarat , Uttar Pradesh and Madhya Pradesh .

a) The company have successfully executed over 60 projects involving construction of over 300 km of roads and highways, 200 km of rail tracks, 10 minor and major bridges and other general civil engineering works over the span of seven years.
b) Majority of the contracts are received from Government, Public Sector Undertakings and other Government agencies, which reduces the risk of default and delayed payment.
c) Continued focus on the high growth opportunities in the construction and infrastructure sector, while maintaining performance and competitiveness of existing business.
d) Infrastructure construction is a highly competitive and capital-intensive activity. We believe that optimal utilization of financial, human and other resources is crucial for achieving success in this industry.
e) The company intend to develop and continue to establish strategic alliances with companies, whose resources, skills and strategies are complementary to ours, which would enhance our business opportunities to achieve competitive bidding advantage.

ARSS ACHIEVEMENTS:

ARSS has made its presence prominent in the field of railway, road and bridges work all across the country. Among the most prestigious projects in the above said fields, ARSS has certainly bagged and completed important projects. Fact wise, ARRS has completed over 80 projects across India, creating a solid brand name that is identified with reliability and trust. The Company has constructed over 300 km of roads and highways, 200 km of rail tracks and 10 major bridges.

- Laurels and achievements: In 2008-09, the Company was awarded with three World Bank-assisted projects by the Government of Orissa.

- Unprecedented growth :Registered an increase of 99% in the consolidated revenue over the previous year.
- Strong order book :Contracts worth Rs. 2,788.37 Crores as on March 31, 2010.
- Risk reduction :The best part of our contracts are with esteemed clients such as the government, PSUs and other government agencies, thereby reducing the risk of default and delayed payments.
- Nurturing relationships :Maintained long-term relationship with these reputed clients with our client-centric policies. This resulted in repeat orders from the government of Orissa, Railways Department, Rail Vikas Nigam Limited and RITES.
- Expansion into new arenas :Diversified successfully into irrigation and canal construction.
- Growing bid capacity: Enhanced our bid capacity by strengthening our technical and financial capability and by drawing on our long years of experience. Successfully bid and procured additional projects.
- Expertise and experience: Adequately mobilised resources including equipment, raw material and personnel at short notice while maintaining a track record of speedy completion of projects.

MISSION:

- The company has mission to focus its interest in developing railway infrastructure through effective use of new ideas and technology .
- They dedicate themselves for optimum utilization to enrich and enhance the quality of human life .
- To thrive on an organizational culture based on productivity, systematic capacity development, unfailing commitment to results, and continuous product innovation and customization in fulfilling customer requirements.

- To sustain organizational growth, establish distinct global identity and leadership in real estate and infrastructure sectors, and diversify such leadership to other sectors.

VISION:

- The company has vision to become a global major player in the field of infrastructure sector by creating quality integrated facilities in the country.
- To be India's most trustworthy, growth-oriented and forward-looking construction company.
- The company aims at providing eco-friendly, customer-satisfying and safe solutions of international standard in residential, commercial, industrial as well as infrastructure sectors.

SWOT ANALYSIS:

Strength:

- Time and efficiency are interdependent variable factors because construction companies has to complete the project on a specific date, and ARSS aims at providing efficiency at every point for smooth work.
- Allocating resources among workers, and assign them different tasks based on their capabilities to get the work done is an important skills of management and ARSS is dedicated to that.
- Majority of clients are the Government of the states or Central Government, Public Sector Undertakings and other Government agencies.

- It owns a sizeable fleet of construction equipments,enabling it to rapidly mobilize to same to projects sites.
- In the year 2003 , the company was awarded by 5 major bridges work and it was diversified into field of earthwork ,rock excavation ,bridges and roadways and boring piles.
- Railways are the major revenue source ,accounting for 45.6% of total revenues in the period of 9 months till December 31st,2009.

Weakness:

- ARSS is facing high bargaining power of channel partners in construction services industry and so far it has not able to streamline the operations to reduce the bargaining power of the value chain partners in Construction industry.
- It struggled to capitalize the power of digital transformation in marketing efforts and new venture efforts
- Lack of clear differentiation of ARSS Infrastructure products and it needs to provide more differentiated products than what it is currently offering in the marketplace.

- Slow to strategic competitive environment developments because ARSS is one of the leading players in the construction services industry so it takes time to assess the upcoming competitions.
- The company have not carried out an independent appraisal of the working capital management .
- The company revenue totally depends on the contracts awarded by Central and State Government and their agencies.

Opportunity:

- ARSS emphasis on the railway segments can be a positive form the growth point of view given that Indian Railways are likely invest huge sums in expanding and upgrading the railways infrastructure in the country.
- The company is totally concentrated on a single state i.e Odisha which can be a positive side for the company, because every year new project come to the Odisha , in the recent POSCO andArcelor – Mittal Steel project came to Odisha.
- Redefining models of collaboration and team work.
- Indian Railways had increased expenditure from Rs 820bn in the Tenth 5 year plan to Rs 244bn during the Eleventh 5year plan period.

Threats:

- Increasing competition in bidding process, face competition from national and international companies .
- High working capital requirement, if deficiency will occur ,that will effect the financial strength of the company.
- Increase in cost or non –availability of requirement, materials or fuel
- Engagement of sub-contractors or other agencies in the course of execution of road and railway projects.
- Dependence on joint ventures to qualify for the bidding process.
- Seasonality and weather condition.
- Change in government policies and the political situation in India.

CHAPTER -3

3.1- Capital Budgeting
3.2-Competitors Analysis
3.3- Customer Analysis
3.4- Computation & Graphical Representation

PROJECT ANALYSIS

Capital Budgeting

Definition:

Capital budgeting is the process a business undertakes to evaluate potential major projects or investments. Construction of a new plant or a big investment in an outside venture are examples of projects that would require capital budgeting before they are approved or rejected. It involves:

- Measuring the benefits and costs associated with each alternative option in the terms of incremental cash flow.
- Evaluating different proposals in the light of return promised by the proposals
- Applying different technologies to select an alternative with the objective of maximization of the value of the firm.
- The process involves analyzing a project's cash inflows and outflows to determine whether the expected return meets a set benchmark.
- The major methods of capital budgeting include discounted cash flow, payback, and throughput analyses.

"The firm's decision to invest its current funds most efficiently in the long term assests in anticipation of an expected flow of benefits over a series of years."

Capital Budgeting Process

Capital budgeting is one of the most important processes businesses need to rely on for growth and profitability. Therefore, careful insight and examination must be applied to the process of capital budgeting in order to get the most out of the process

Capital budgeting is a five stage process:

a) ***Identification Stage:***

The first step of a capital budgeting process is the identification of an investment option. The business considering capital budgeting must find the reason for investment in this step. This step is also required to distinguish which types of capital projects are necessary to accomplish organization objectives.

b) ***Search and Forecast Stage:***

In the second step of a capital budgeting process, businesses need to find out the costs assuming the necessary developments of the project. A number of factors may influence this step, including cash flows. To explore alternative capital investment that will achieve organization process so as to choose projects for implication.

c) ***Information and Acquisition Stage:***

This step defines that to consider that expected costs and the expected benefits of alternative capital investments.

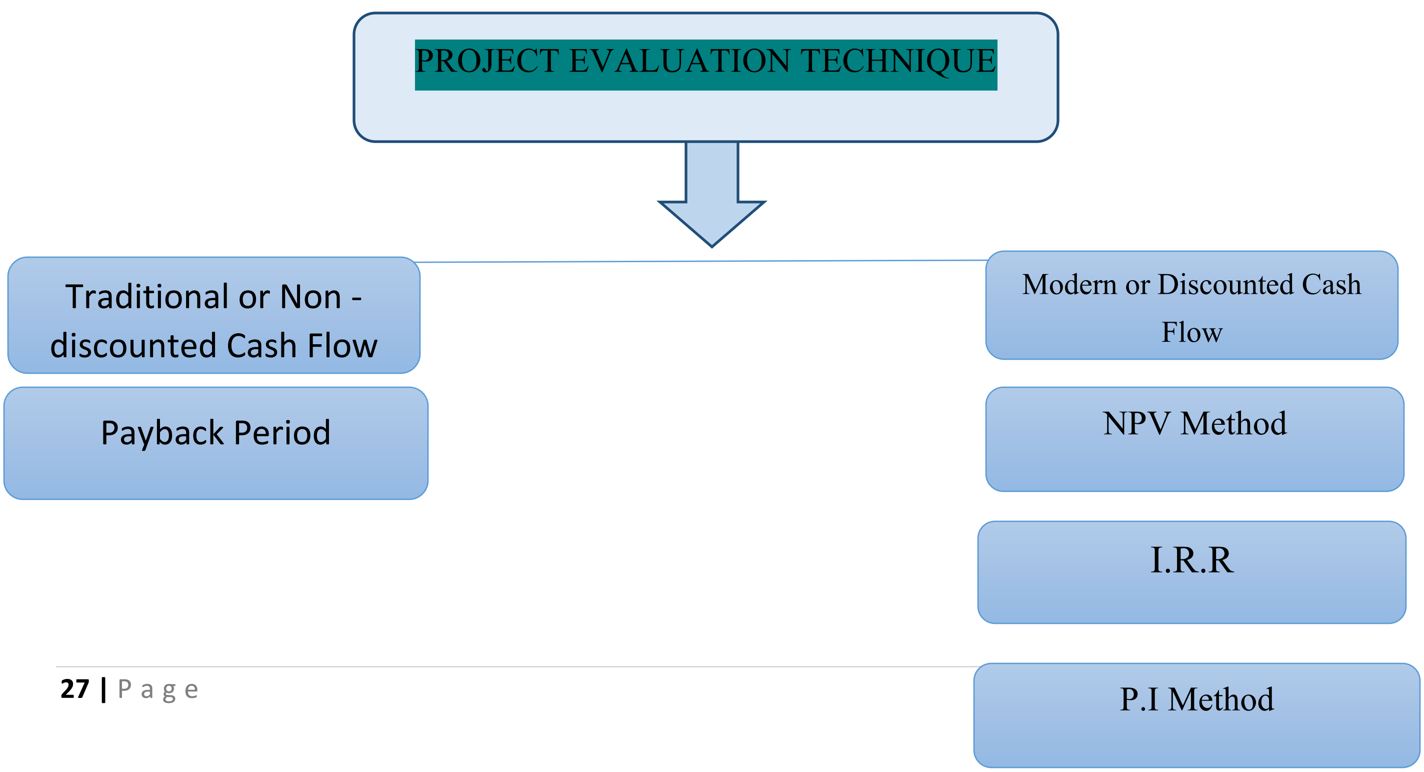
d) ***Estimate cash flow or benefit***:

Now we determine how much cash flow the project in question is expected to generate. One way to arrive at this figure is to review data on similar projects that have proved successful in the past.

e) ***Implementation and Control Stage***

If a company chooses to move forward with a project, it will need anproject at hand, a method for tracking costs, and a process for recording cash flows or benefits the project generates. The implementation plan and control stage is very important in case of capital budgeting.

Capital Budgeting Technique:



PAYBACK PERIOD (PB)

The term payback period refers to the amount of time it takes to recover the cost of an investment.Payback period in capital budgeting refers to the time required to recoup the funds expended in an investment, or to reach the break-even point.

Computation of Payback Period:

- If the project generates constant annual cash inflows , the payback period can be computed by dividing cash outlay by the annual cash inflow.
- The formula for calculating Payback Period = Initial Investment/ Annual Cash Inflow.
- In case of unequal cash inflow ,the payback period can be found out by adding up the cash inflows until the total is equal to the initial cash outlay.

Advantages Of Payback Period:

- A longer payback period indicates capital is tied up.
- Focus on early payback can enhance liquidity.
- Investment risk can be assessed through payback method.
- Shorter term forecasts and easy to understand and compute.
- This is more reliable technique.

Disadvantages Of Payback Period:

- It ignores the cash flows after the payback period.
- This method also does not take into account other factors such as risk, financing or any other considerations that come into play with certain investments.
- Ignores cash flows occurring after the payback Period.
- Not a measures of Profitability.
- No objective is determined the standard payback.

PROFITABILITY INDEX

The ratio of the present value of the cash flows to the initial outlay is profitability index or benefit cost ratio.

PI=PV Of Annual Cash Flows/Initial Investment.

Decision Rules:

- Accept if PI>1.0
- Reject if PI< 1.0
- Project maybe accepted if PI =1.0

Advantages of PI:

- Consider all cash flows .
- Recognizes the time value of money.
- Relatives measure of Profitability .

- Generally consistent with the wealth maximization principle**.**

Disadvantages of PI:

- Requires estimates of the cash flows which is a tedious task.
- At times fails to indicate correct choice between mutually exclusive project.

NET PRESENT VALUE (NPV)

The net present value or net present worth applies to a series of cash flows occurring at different times. The present value of a cash flow depends on the interval of time between now and the cash flow.

- The net present value method (NPV) is the classic economics methods of evaluating the investment proposals.
- It is a DCF technique that explicity recognizes the time value of money.
- The difference between PV of cash outflows is equal to NPV ,the firms opportunity cost of capital being the discount rate.

NPV= Total Discounted Present cash inflow - The present cash Outflow.

Advantages Of NPV:

- Incorporates time value of money.
- Simple way to determine if a project delivers value.
- Considers a company's cost of capital.
- NPV method enables the decision-making process for companies.

Disadvantages Of NPV:

- Not useful for comparing projects of different sizes, as the largest projects typically generate highest returns.
- Accuracy depends on quality of inputs and if the quality decreases output also get affected and this sometimes happens in case of NPV.
- Sometimes it can be challenging while using NPV method to accurately arrive at a discount rate that represents the investment's true risk premium.

INTERNAL RATE OF RETURN

The internal rate of return (IRR) is a metric used in financial analysis to estimate the profitability of potential investments. It is the annual rate of growth that an investment is expected to generate. IRR is ideal for analyzing capital budgeting projects to understand and compare potential rates of annual return over time.

Computation of Internal Rate of Return (IRR):

Internal rate of return is calculated such that the net present value of an investment yields zero, and therefore allows the comparison of the performance of unique investments over varying periods of time.

Given the (period,cash flow) pairs (n,Cn) where n is a positive integer ,the total number of periods N, and the net present value of NPV, the internal rate of return is given by r in:

$$NPV=\sum_{n=0} (Cn)/(1+r)n$$

The ultimate goal of IRR is to identify the rate of discount, which makes the present value of the sum of annual nominal cash inflows equal to the initial net cash outlay for the investment. Several methods can be used when seeking to identify an expected return, but IRR is often ideal for analyzing the potential return of a new project that a company considering undertaking.

Advantages Of IRR:

- IRR is an easy measurement to calculate. The information it provides makes it simple to compare the value or worth of various projects that may be under consideration at any given time.
- The goal of the internal rate of return is to maximize overall profitability. It is able to do this by allowing us to compare the positive or negative outcomes of all projects under consideration.
- When calculated correctly, business owners are able to quickly see which projects would generate the most potential cash flows in the future.

Disadvantages Of IRR:

- It ignores the overall size and scope of the project.
- It will only compare the cash flows to the amount of capital being spent to generate those cash flows.
- It does not account for the potential costs that may affect profits in the future.
- If there are multiple cash flows involved with the calculation, then sometimes the internal rate of return method can be misleading

COMPETITOR ANALYSIS:

- Larsen & Toubro
- IRB Infrastructure Developers
- G R Infra projects
- Rail Vikas Nigam
- KNR Constructions

CUSTOMER ANALYSIS:

The company is totally entrusted in its customer satisfaction and confidence based on its providing services. The company's valued customers are:

- Government of Odisha
- Government of Haryana
- Rail Vikas Nigam ltd
- RITES Ltd
- IRCON International ltd
- NTPC
- ESSEL Mining
- Damodar Valley Corporation
- Odisha State Disaster Mitigation Authority
- Indian Oil Corporation Ltd
- Jaipur Development Authority
- East Coast Railway
- South Eastern Railway

- Southern Railway

COMPUTATION OF PAYBACK PERIOD

SL.NO	Year	Inflow (in Lacs)	Cumulative Inflow
1.	2021	63.728	458.149
2.	2022	63.728	521.877
3.	2023	63.728	585.605
4.	2024	63.728	649.333
5.	2025	63.728	713.061

Initial Investment= 320lacs

Payback Period= 1+ 320/63.728= 6.02 year

Interpretations:

The payback period calculated for the project is to compared with some predetermined target period and Payback Period is less than the target period or standard period is accepted. Therefore, target period is 5 years and project is more than that is rejected.

COMPUTATION OF PROFITABILITY INDEX:

SL.NO	Year	Inflow (in Lacs)	PVAF @ 13%	Present value Rs(lacs)
1.	2021	63.728	0.425	27,084
2.	2022	63.728	0.376	23,962
3.	2023	63.728	0.333	21,221
4.	2024	63.728	0.295	18,800
5.	2025	63.728	0.261	16,633

Initial Investment= 320 lacs total= 107,700

Profitability Index = PV of Cash Inflow / Initial Cash Outlay

107,700 / 320,000= 0.336

Interpretations:

The project is accepted if the profitability Index is more than 1 and rejected if the profitability index is less than 1. In the above data profitability index is less than 1 thus, the projected is rejected.

COMPUTATION OF NET PRESENT VALUE:

SL.NO	Year	Inflow (in Lacs)	PVAF @ 13%	Present value Rs(lacs)
1.	2021	63.728	0.425	27,084
2.	2022	63.728	0.376	23,962
3.	2023	63.728	0.333	21,221
4.	2024	63.728	0.295	18,800
5.	2025	63.728	0.261	16,633

Total =107,700

NPV = Total present value of cash inflow – outflow

= 107,700 – 320,000 = - 212,300

Interpretations:

NPV shows present value of the project is accepted if its NPV is positive and rejected if its NPV is negative. In the above data NPV for the project life of 5 years is showing negative therefore, the project is rejected.

COMPUTATION OF INTERNAL RATE OF RETURN:

SL.NO	Year	Cash Inflow (in Lacs)
1.	2021	63.728
2.	2022	63.728
3.	2023	63.728
4.	2024	63.728
5.	2025	63.728

NPV = $\{ 63.728 / (1+r)^1 + 63.728 / (1+r)^2 + 63.728 / (1+r)^3 + 63.728 /(1+r)^4 + 63.728 /(1+r)^5\} = 0$

If r = 12%

NPV= $\{ 63.728 / (1+.12)^1 + 63.728 / (1+.12)^2 + 63.728 / (1+.12)^3 + 63.728 /(1+.12)^4 + 63.728\ 1+.12)^5\}=$

If r = 14%

NPV= $\{ 63.728 / (1+.14)^1 + 63.728 / (1+.14)^2 + 63.728 / (1+.14)^3 + 63.728 /(1+.14)^4 + 63.728\ 1+.14)^5\}=$

Interpretations:

The project is accepted if the IRR is more than the minimum rate, which is 13 % for this project. Thus the project is accepted because IRR in this project come which is more than the cost of capital.

CHAPTER 4

4.1- Findings

4.2- Suggestions

FINDINGS:

The following are the findings during the study of the project:

1. **Payback Period:**

    The payback period disregards the time value of money and is determined by counting the number of years it takes to recover the funds invested.

2. **Profitability Index:**

    The project is accepted if the profitability Index is more than 1 and rejected if the profitability index is less than 1. In the above data profitability index is less than 1 thus, the projected is rejected.

3. **Net Present Value:**

    The net income of the project is discounted at minimum required rate of return 13% and NPV is negative in the above data so the project got rejected.

4. **Internal Rate of Return:**

    IRR is a discount rate that makes the net present value (NPV) of all cash flows equal to zero in a discounted cash flow analysis.

SUGGESTIONS:

- There should be effective coordination between the different department like production, sales, finance, marketing etc this will enhance the efficiency of the organization.
- There should be a proper budgeting control system.
- There should be proper communication between various departments and responsibility centers.\
- Education about the importance of budgeting should be communicated to all concerned authorities , involved directly or indirectly to work accordingly for the growth of the company.

CHAPTER -5

5.1 Conclusion

Bibliography & References

CONCLUSION

- It is concluded that the project is viable and profitable.
- The payback period indicates that the investment is fully recovered at the first year only.
- NPV helped to analyze profitability of an investment of a company and shows whether to accept or reject the project. Here, in the above data the NPV is negative so it got rejected.
- The Profitability index is less than 1 so it got rejected as well.
- Considering the fact that Odisha and West Bengal for manufacturing Tetra Pak ,this will give the company a distinctive advantage.
- Discounted cash flow techniques are the best of the methods we have presented.

In some cases , the DCF techniques need to be modified in order to obtain a correct decision .It is important to completely understand these cases and have an appreciation of which technique is best given the situation.

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