

CAPITAL BUDGETING PRACTICES OF THE LODGING FIRMS

An Evidence from Santa Cruz, Bolivia

*Kauvin Lucas Monteiro Ferreira
Fundación Universidad Privada de
Santa Cruz de la Sierra - Bolivia*

A descriptive investigation was conducted to determine the capital budgeting practices of the lodging firms affiliated with the Cámara Departamental de Hotelería de Santa Cruz, in Bolivia. The results showed that the 42.42% of the firms had never used any of the capital budgeting techniques, and that the usage of a discount rate for the long-term cash flows was missing in 63.64% of the firms. Most of these companies ignored the control stage in capital budgeting. In addition, the considerations to the value of managerial flexibility were noted in the firms, although the minority adopted the real options approach to appraise their investment proposals. Considering the recent development of the scientific literature regarding capital budgeting, these findings suggest the existence of an important gap between the theory and practice in the Bolivia's hospitality industry.

KEY WORDS: corporate context, investment appraisal, managerial flexibility.