capital expenditure, operating costs and value creation in capital base company: Evidence from Tehran Stock Exchange

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ABSTRACT

The problem of Investment in capital assets is important in the decisions of the directors of the company. Because the correct decisions leading to profitability for the company in the future of over the years and, conversely. Decisions that lead to failed project will bring future losses. Given the above, this study aims to investigate capital expenditure and operating costs in value creation for companies.in this study, in addition to variable capital expenditure and operating costs (as independent variables) and the sale of Q-tobin (the dependent variable) of the control variables, financial leverage, credit policy, and the size of the supplement has also been used. The sample consists of 96 capital base company in the period 2004-2013. Test hypotheses method in this study using panel data is performed using the software Eviews. The results suggest that the increase in capital expenditure compared with operating costs can be creating the much larger value for company.

Keywords: Capital Expenditure, Operating Costs, Value Creation

1. Introduction

Profitable investment considered company's pulse of life and the fundamental factor in determining the value. On extant theoretical foundation, it is expected the value of a company is a function of the present value of future cash flows that is heavily influenced by its investments. However, the success of a company depends to ability management to identify and the use of the company investment opportunities. Because the final return on company's investments is that will cause survival or failure for company in today's competitive world. Investment neo-classical model predicts that the company will increase its investment to a level that the marginal cost of invested capital is equal to the anticipated final profitability.[1] Therefore, the company investment only should increase its basic investment opportunities (measured by Tobin's Q).[2] Investing in company assets is different with other investment (such as investing in a part or a long-term investment). Firstly it is an intangible asset. Second, the benefits of these types of investments can be made later. Namely, when the project was completed and commercially operated successfully. Therefore the probable returns on such