

## 8.8: Exercises

### ? Exercise 8.8.1

What are the four capital budgeting decision criteria?

#### Answer

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### ? Exercise 8.8.2

Identify 4 flaws of the payback period? Given these flaws, why should you know the payback period method?

#### Answer

Add texts here. Do not delete this text first.

### ? Exercise 8.8.3

With independent projects that do not suffer from the crossover (multiple IRR) problem, will the IRR and NPV always give the same accept reject decision? Explain.

#### Answer

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### ? Exercise 8.8.4

What are 3 potential problems with the IRR? Given these flaws, why should you know the IRR method?

#### Answer

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### ? Exercise 8.8.5

How can we account for risk under each of the three methods (PP, IRR, NPV)?

#### Answer

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### ? Exercise 8.8.6

Consider a situation where a firm carefully performs capital budgeting analysis and selects a project with a high, positive NPV. Three years later, the project is terminated early and the company has lost significant money on the project. Does this mean that their capital budgeting process is flawed? Explain.

#### Answer

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