

4.1: Introduction

*The land may vary more;
But wherever the truth may be—
The water comes ashore,
And the people look at the sea.*

- Robert Frost, "Neither Out Far Nor In Deep" Robert Frost, "Neither Out Far Nor In Deep," *Selected Poems of Robert Frost* (New York: Holt, Rinehart and Winston, Inc., 1963).



Figure 4.1. © 2010 Jupiterimages Corporation

Financial decisions can only be made about the future. As much as analysis may tell us about the outcomes of past decisions, the past is “sunk”: it can be known but not decided upon. Decisions are made about the future, which cannot be known with certainty, so evaluating alternatives for financial decisions always involves speculation on both the kind of result and the value of the result that will occur. It also involves understanding and measuring the risks or uncertainties that time presents and the opportunities—and opportunity costs—that time creates.

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