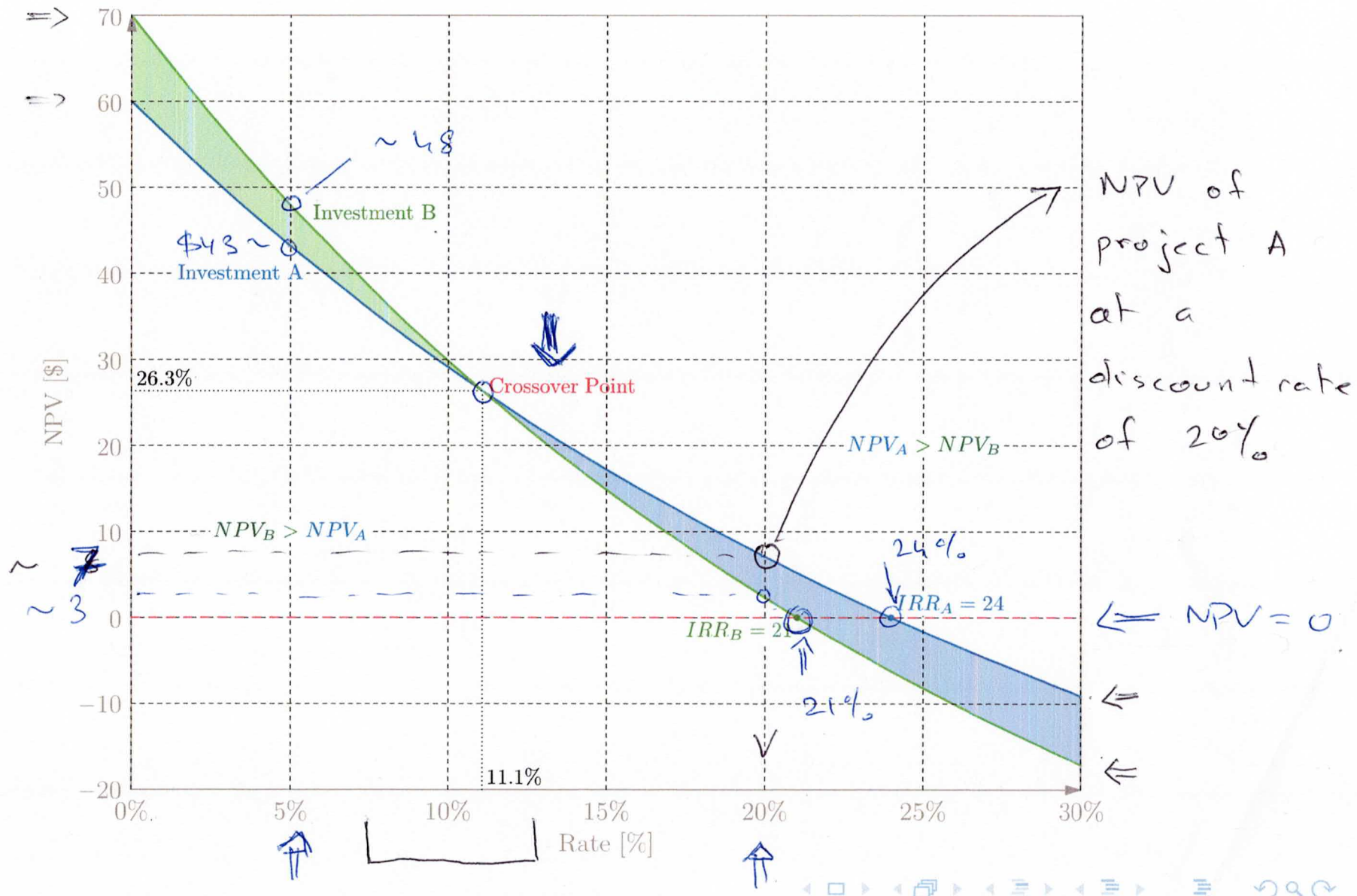


Mutually Exclusive Investments



Investing vs. Financing

- Consider two investments identical in all respects, but for the signs of their cash flows, which are the opposites of each other, as shown below:

Time	0	1	2
Investment A	-\$100	+\$60	+\$60
Investment B	+\$100	-\$60	-\$60

$$100 \neq \frac{60}{1+r} - \frac{60}{(1+r)^2}$$

