
Preface

Investment decisions are of vital importance to all companies, since they determine both their potential to succeed and their ultimate cost structure. Investments usually entail high initial cash outflows and thus tie up substantial funds. Sound investment decisions are therefore important. Yet, due to a highly complex and rapidly changing business environment, they remain a challenging management task.

Effective appraisal methods are valuable tools to support investment decisions. They have been the subject of discussion for several decades, particularly in the 1960s and 1970s. During this period, different approaches were examined, developed and refined to support aspects of investment appraisal such as multi-criteria or simultaneous decision-making and the consideration of uncertainty. In the last decade, these methods have been advanced further by insights from capital market theory, such as options pricing and risk-return models.

A number of methods are included in this book, some of which—while examined in research journals—are not widely known or at least not widely described in other textbooks. Investment appraisal methods are an important part of an academic management accounting education, yet they are sometimes neglected in books and university curricula. Due to its growing importance for companies, however, this rapidly developing area of expertise has become increasingly relevant for potential management accountants.

This book derives from a long-standing tradition in Germany and builds on a successful German textbook by one of the authors (Götze, U. 2014. *Investitionsrechnung*. 7 ed. Berlin, Heidelberg: Springer). It describes a wide range of investment appraisal methods to support capital budgeting decisions and evaluates their use, assumptions and limitations using illustrative examples and calculations.

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We hope that readers will find this new edition of the book helpful and to be a valuable source in classroom use and in company practice.

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Methods and Models

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