ERRATA

Chapter 5

- In Figure 5.12, point (2) under Receive estimate of demand should read:

    (2) If resulting expected NPV > $0 …

Chapter 10

- In the next-to-last paragraph on Page 424:

    "$23,588" should be "$20,588"

    "$12,106" should be "$9,106"

    "57.84 percent" should be "51.41 percent"

- In the last paragraph on Page 424:

    "57.84 percent" should be "51.41 percent"

Chapter 11

- Equation 11.2 should read:

$$r_{Port} = r_F + (\sigma_{Port}/\sigma_M)RP_M$$

- The equation following Equation 11.2 should read:

$$r_{Port} = r_F + (\sigma_{Port}/\sigma_M)(r_M - r_F) = 4\% + (26.5\%/15\%)(12\% - 4\%) = 18.1\%$$

- The equation following Equation 11.3 should read:

$$r_P = \frac{r_{port} - x_M r_M}{x_P} = \frac{18.1\% - (2/3)(12\%)}{1/3} = 30.3\%$$

- The equation on page 447 should read:

$$PV_{comp} = \frac{\$100,000}{0.12 - 0.0}\left(1 - \frac{(1+0.00)^5}{(1+0.12)^5}\right) + \frac{\left[\dfrac{\$150,000}{0.12 - 0.04}\left(1 - \dfrac{(1+0.04)^{10}}{(1+0.12)^{10}}\right)\right]}{(1+0.12)^5}$$
$$= \$917,337$$