

#1-67

CFA® SAMPLE QUESTION - LEVEL I Corporate Finance

Q: Which of the following statements about NPV and IRR is least accurate?

- (a) The IRR is the discount rate that equates the present value of the cash inflows with the present value of outflows.
- (b) For mutually exclusive projects, if the NPV method and the IRR method give conflicting rankings, the analyst should use the IRRs to select the project.
- C The NPV method assume that cash flows will be reinvested at the cost of capital, while the IRR rankings implicitly assume that cash flows are reinvested at the IRR.



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