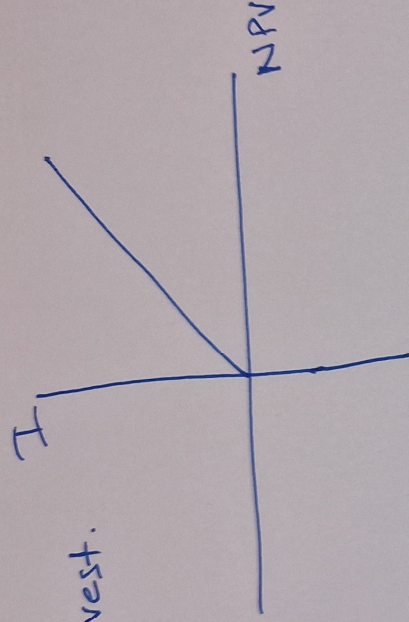


Investment Appraisal under Fully Reversibility.

$NPV > 0 \rightarrow \text{invest.}$



$[NPV > 0 \Rightarrow I > 0]$.

Investment Appraisal under Irreversibility

$NPV > 0 \not\Rightarrow I > 0$.

Investor (firm) must take into account the potential loss due to irreversibility.

NPV now must clear a higher (than 0) threshold. Thus, investment triggering threshold is shifted to the right (The higher the degree of irreversibility, the more to the right the threshold is shifted).

A: the trigger threshold.

The $[0 - A]$ is the investment INACTION ZONE.

