21. Which of the following should *not* be considered when determining the marginal cash flows associated with a capital budgeting project?

a. opportunity costs  
b. externalities, or effect on other parts of the firm  
c. inflation  
d. shipping and installation costs  
e. sunk costs related to the project

Sunk costs are expenses that cannot be recovered, and do not change, regardless of whether the firm invests in a capital budgeting project. Cash flows that are not affected by a capital budgeting decision should not be included in the analysis of the project.

RETURN TO THE SAMPLE QUESTIONS