

<sup>2</sup>The primary emphasis in this text is the presentation of the basic principles and techniques of capital expenditure analysis. Since inventory and lot-size decisions are very complex and technical operating decisions, it would be impossible to present a definitive exposition of the field here. However, since the basic principles discussed in Chapter 1 apply to both types of decisions, and, as Example 10-4 illustrates, since the general formulation may be applied to investment decisions of certain types, a brief discussion of both the advantages and disadvantages of such formulas is desirable at this point.

Most texts on production and inventory control contain extensive developments of economic production quantity and purchase quantity models. One excellent example is G. Hadley and T. M. Whitin, *Analysis of Inventory Systems* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1963).