developments in the area, arguably providing explanation towards the flaws of the CAPM in this regard, consequently offering solutions and promoting the CAPM as an advantageous investment model, perhaps going some way to explain why it's still widely used. The generic empirical view and tests of the CAPM which characterise the CAPM as erroneous run counter to conclusions such as Jagannathan and Wang (1996), Lettau and Ludvigson (2001), Santos and Veronesi (2006), and Lustig and Van Nieuwerburgh (2005), allowing further debate on the matter (Lewellen & Nagel, 2006). What's more, the CAPM assumes that investors are risk-averse, with the CAPM indirectly failing to decipher value-premiums, one may assume a risk-averse investor would limit its use of the model, rather turning to industry alternatives.

We've looked at the CAPM considered appraisal failings in issues such as value premium's and expected returns, it must be said, however, the CAPM excels in other areas of investment appraisals. By its nature, the CAPM is used widely in the industry to calculate a required rate of return for a company's investment project. Traditionally, a firm would use the weighted average cost of capital (WACC), yet they would benefit more in using the CAPM. In being conceptive, "the CAPM will find a required rate of return which directly reflects the risk of a specific project as opposed to the WACC, which ignores product risk" (Watson & Head, 2016). In taking into account the systematic risks of a variety of projects, the CAPM recognises which projects provide the best level of return and aid in eliminating project failures, which are very costly to businesses, especially in businesses facing liquidity or working capital issues. Such is reasoning to understand and warrant the CAPM's high asage in the industry.

Recent developments have favoured the CAPM and have contributed to we all usage in addition. Embedded in the developments are extensions to me table which can be used to rectify issues or perhaps combat difficult assumptions is which the model is based on. For instance, the CAPM is based on a no tax a suppion. Taxes can create conditions in which two investors can realise differ in a tor-tax returns from he same stock (Bodie, et al., 2014). A distortion which inclusion to contrasting after-tax optimal risky portfolios for different investors. As Paleluetion, an extension is even developed to incorporate capital gains and personal taxes. These extensions con't just combat assumptions, they also contribute to it's all around efficiency and aid its industrial usage. Extensions such as a consumption-based CAPM for example. (Cochrane, 2001, p. 5, cited in Darrat, et al., 2011) notes, "An investor must decide how much to save and how much to consume". Investors have a constant prerequisite to balance the allocation of current wealth between today's consumption, savings and further investment in hopes of attaining added prospective consumption. The consumption-based CAPM is based on a homogeneous expectation assumption. Consequently, investors expect the same outcome from the consumption-based CAPM which stands as an advocation towards its usage and acclaim. The economic agents also have homogeneous beliefs about the probability distribution of dividend and aggregate consumption growth (Shi, 2016). Indeed, the logic of the CAPM together with hedging demands suggest that it might be useful to centre the model directly on consumption (Bodie, et al., 2014). The efficiency of the consumption-based CAPM is well documented with (Shi, 2016) finding "that is robust to the heterogeneity in its agent's beliefs" and hence aptly indicates that the CAPM is still widely used despite is overriding assumptions. In terms of effectiveness, unlike the CAPM's measure of expected returns, a consumption-based CAPM tends to follow the expectations of the pre-expected consumption and dividend growth. (Shi, 2016) assumes "the log end-of-period dividend payoffs and aggregate consumption growth are assumed to follow a multivariate normal distribution and agents have a heterogeneous belief about the main vector". Hereinafter demonstrating the usefulness of the model despite