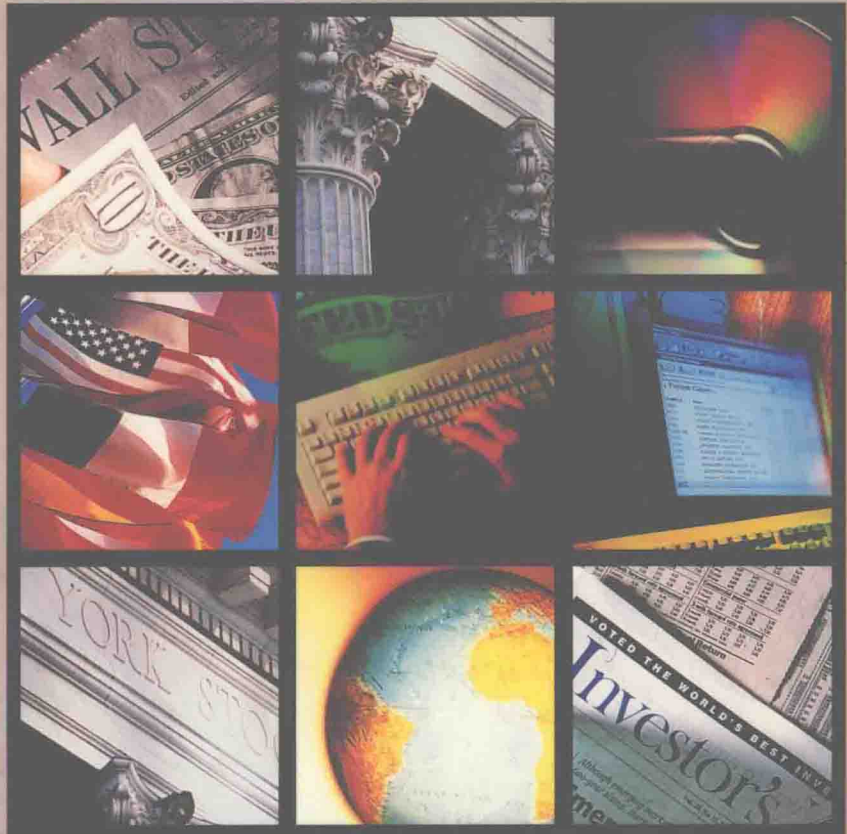


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NINTH

Foundations of Financial Management

STANLEY B. BLOCK
GEOFFREY A. HIRT



Foundations of Financial Management

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To Paige A. Goldsmith, whose journey through life
has just begun.

Stanley B. Block

To Douglas B. Lamb, whose lifelong experience
provides great wisdom.

Geoffrey A. Hirt

About the Authors



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Geoff plays tennis and golf, is a music lover, and enjoys traveling with his wife, Linda.

Preface

Opening a textbook can seem a glum prospect for many enrolled in a foundations of financial management course. All too often, what is already perceived to be a difficult and intimidating subject is only compounded by the text you are assigned. In contrast, *Foundations of Financial Management* is committed to making finance accessible to you. Significant content revisions have been made in the ninth edition in order to maintain the high quality that the market has come to expect from this text. As always, in the ninth edition we remain strongly committed to presenting the concepts of finance in an enlightening, interesting, and exciting manner. We have been involved in this process since the first edition of the book came out in 1978, and we have eight editions to draw upon to know what works and what doesn't work for students.

Employers of business graduates report that the most successful analysts, planners, and executives have both facility and confidence in their financial skills. We concur. One of the best ways to increase your facility in financial planning is to integrate your knowledge from prerequisite courses. Therefore, the text is designed to build on your knowledge from basic courses in accounting and economics. By applying tools learned in these courses, you can develop a conceptual and analytical understanding of financial management.

We realize, however, that for some of you some time has passed since you've completed your accounting courses. Therefore, we include Chapter 2, a thorough review of accounting principles, finance terminology, and financial statements. With a working knowledge of Chapter 2, you will have a more complete understanding of the impact of your decisions on financial statements. Furthermore, as you are about to begin your career you will be much better prepared when called upon to apply financial concepts.

**Reinforcing
Prerequisite
Knowledge**

Content

The ninth edition incorporates several overall improvements in coverage based on trends that have occurred in the last few years:

**New Features
and
Improvements**

Internationalization We have substantially increased coverage of the internationalization of the financial markets, including the effects of currency devaluations in Russia, Asia, and Latin America, and the introduction of the euro currency by 11 major European countries in 1999.

Strong Equity Market We have included consideration of the effect of the strong equity market of the 1990s on financing decisions. For example, the strong new issues market has made it possible for many internet-related companies to go public at attractive prices for the issuing company.

Consolidation of Financial Services We have also included coverage of the increased consolidation of the financial services industry with particular emphasis on mergers between major players such as Citicorp and Travelers, Bank of America and NationsBank, and Salomon and Smith Barney.

Successful improvements from previous editions that we have built on in the ninth edition include:

- **Functional Integration** We have taken care to include examples not just applicable to the finance students, but also for the marketing, management, and accounting major.
- **Small Business** Since over two-thirds of jobs created in the U.S. economy are by small businesses, we have continued to note when specific financial techniques are performed differently by large and small businesses.
- **Comprehensive International Coverage** We have updated and expanded coverage on international companies and events throughout the text.
- **Contemporary Coverage** The ninth edition has continued to provide updated real-world examples, using companies easily recognizable by students, to illustrate financial concepts presented in the text.

Pedagogy

The ninth edition adds three new pedagogical elements that will help you learn the material:

Company Logos In this exciting new feature, four-color company logos (such as Netscape, IBM, Coca-Cola, and eBay) are included in the margin of the text where a situation involving the company is used as an example. This feature helps to call out our strength in providing many real-world examples. Because logos are so easy to recognize, you will have no trouble relating them to the financial concepts in the example.

Web Addresses Website addresses are included in relevant *Finance in Action* boxes for easy access to more information on that topic.

Chapter Opening Vignettes We bring in current events (such as competition among air carriers and the seasonality of toy manufacturers) as chapter openers to illustrate the material to be learned in the upcoming chapter.

Other successful pedagogical features that we have retained in this edition include:

- ***Finance in Action Boxes*** These boxed readings highlight specific topics of interest that relate to international situations, small business procedures, and marketing and advertising, to name a few.
- ***Functional Use of Four Colors*** The ninth edition continues to include the well-received functional use of four colors to enhance your understanding of tables, graphs, and exhibits. For example, the financial analysis chapter (Chapter 3) uses color to make the origin of the ratios easier to follow. For easy identification, the balance sheet appears in green and the income statement appears in red. These same two colors continue to be traced through the numerical ratios, with each number appearing in the same color as the financial statement from which it was derived. This linkage helps easily identify whether the ratio is a balance sheet ratio, an income statement ratio, or a mixed ratio.
- ***In-Book Acetates on Time Value of Money (Chapter 9)*** The concept of “time value of money” is one of the most difficult topics in any financial management course for professors to communicate to students. We think we have created a visual method for teaching future value and present value that will allow you to understand the concept simply and quickly. The ninth edition includes four-color acetates in the text that visually relate future values and present values. We hope you agree that this innovation is an advancement in financial pedagogy.
- ***Chapter Concepts*** Chapter Concepts are listed on the opening page of each chapter as a quick introduction to the material you will learn and as an indication of the key topics you should fully understand before moving to the next chapter.

End-of-Chapter Material

We have continued to provide our successful end-of-chapter elements in the ninth edition:

Summary Each chapter ends with a Summary that ties the material back to the Chapter Concepts presented at the beginning of the chapter.

Summary List of Equations At the end of every chapter that includes equations, we provide a list of all equations used in that chapter for easy reviewing purposes.

List of Terms Similarly, you can use the list of key terms provided at the end of each chapter to test your comprehension and retention. Page numbers are provided and the term is also defined in the glossary at the back of the book.

Discussion Questions and Problems The material in the text is supported by over 250 questions and 340 problems in this edition, to reinforce and test your understanding of the chapter. Care has been taken to make the questions and problems consistent with the chapter material, and each problem is labeled with its topic to facilitate that link. Every problem has been revised in this edition, but the level and variety of the complete set is similar to those from the previous edition.

Comprehensive Problems Several chapters have Comprehensive Problems, indicated with a red sidebar, that integrate and require the application of several financial concepts into one problem.

Supplemental Material for Students

Self-Study Software This tutorial software is packaged free with every new book purchased from Irwin/McGraw-Hill. It contains a self-study program, with questions written by the authors, that tests your understanding of the concepts, as well as provides an infinite number of time value of money problems to solve with the random number generator program. The CD also contains Financial Analysis Spreadsheet Templates (FAST) which are templates designed to help you solve problems using Excel. The end-of-chapter problems that are linked to this program are indicated with an icon at the end of each chapter. PowerPoint slides, both lecture slides and exhibits from the text, are also included.

The Wall Street Journal Edition (0072319348) If your instructor has ordered this special edition, you will find a reply card bound in the front of the book that entitles you to a 10-week subscription of *The Wall Street Journal*. No additional payment is necessary; the cost of the subscription is included in the price of the book.

Study Guide and Workbook (0072283440) This valuable resource, created by Dwight C. Anderson, provides chapter summaries, outlines with page references, and additional problems and multiple-choice questions with solutions for practice.

Cases (0072283459) These 22 cases, written by the authors, are ideal for in-depth analysis and facilitate an integrated understanding of the topics presented in the book.

Ready Notes (0072283483) This note-taking supplement contains a reduced copy of the images of the transparency and PowerPoint packages, excluding the solutions. There is room for you to take notes next to each image, allowing a more complete and organized method for recording lecture notes.

Financial Analysis with an Electronic Calculator, Fourth Edition, by Mark A. White (0072299738) This helpful guide provides you with information and procedures to master financial calculators and gain a deeper understanding of financial mathematics. Complete instructions are included for solving all major problem

types on three popular models of financial calculators: Hewlett-Packard's HP-10B, Sharp Electronics' EL-733A, and Texas Instruments' BA II Plus. Sixty hands-on problems with detailed solutions allow you to practice the skills outlined in the book and obtain instant reinforcement.

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Stanley B. Block

Geoffrey A. Hirt

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