

Multinational

TENTH

Business

EDITION

Finance




David K.

Arthur I.

Michael H.

EITEMAN • STONEHILL • MOFFETT



Multinational Business Finance

TENTH EDITION

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*University of California,
Los Angeles*

University of Hawaii at Manoa

*Thunderbird—
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International Investments

AS THE FIELD OF INTERNATIONAL FINANCE HAS EVOLVED, SO HAS THE CONTENT OF *Multinational Business Finance*. As in previous editions, we perceive the multinational enterprise to be a unique institution that acts as a catalyst and a facilitator of international trade and as an important producer and distributor in host countries where its subsidiaries are located. The success of a multinational enterprise continues to be dependent on its ability to recognize and benefit from imperfections in national markets for products, factors of production, and financial assets.

Also carried over from earlier editions is the theme that volatile exchange rates may increase risk, but they also create opportunities for both investors and firms to profit, given a proper understanding of exchange rate risk management.

The tenth edition continues to recognize the increasing importance of global integration of money and capital markets, a trend that is creating expanded opportunities for both investors and organizations that need to raise capital. Although global integration of financial markets removes some market imperfections that impede the flow of capital internationally, excellent opportunities continue to exist for investors to increase their returns while lowering their risk through international portfolio diversification and for firms to lower their cost of capital by sourcing it internationally.

What Is New in the Tenth Edition?

- The chapter sequence has been reordered as a response to reviewer comments, with the balance of payments now added as a standalone chapter, followed by foreign exchange markets, derivatives, parity conditions, and foreign exchange rate determination.
- We have added three new decision cases—Stanley Works (taxation), Beijing International Club Corporation (international capital budgeting), and Gucci versus LVMH (hostile takeover bid)—and retained three others from the ninth edition.
- We have expanded the number of mini-cases to fifteen, and have continued to expand the number of comprehensive illustrative cases, as well as the number of practical global financial perspectives.
- End-of-chapter materials have been greatly enhanced, with new and expanded qualitative questions and quantitative problems for student review. The tenth edition of *Multinational Business Finance* now has over 300 questions and over 260 problems for review and testing purposes.
- All chapters have a separate set of Internet exercises in which students are directed to specific sources of information on the World Wide Web about current company, market, and business events. Many of these exercises have been designed to require the student to use real-time resources in the preparation of executive briefings and decision-based support.

- We have changed the focus of Chapter 1 to corporate financial goals and corporate governance, highlighting the global controversy following the Enron and WorldCom corporate failures.
- We have added a new chapter on political risk rather than having that material spread throughout the book.
- Emerging markets are emphasized throughout the book, including extensive coverage of the emerging market crises of 1997–2002. The perspective of multinational firms operating in emerging markets is included in chapters on cost and availability of capital, sourcing equity globally, capital budgeting, political risk, international acquisition, evaluation of performance, and working capital management.
- We have also written a shorter version of *Multinational Business Finance* entitled *Fundamentals of Multinational Finance* (2003, Addison Wesley Publishing). This shorter version allowed us to experiment with a number of new pedagogical features, some of which are incorporated into the tenth edition of *Multinational Business Finance*.

Supplements

The tenth edition features an enhanced supplements package. An Instructor's Resource Disk includes an Instructor's Manual, Test Bank, PowerPoint slides, and spreadsheet solutions to end-of-chapter problems and case material. A significantly expanded Test Bank includes multiple-choice and short-essay questions. The PowerPoint slides now constitute an even more useful teaching tool with the addition of lecture outlines.

In addition, students now have access to spreadsheet solutions to a selected set of end-of-chapter problems. They can download these spreadsheets from our Web site at www.aw.com/eiteman. Instructors have access to spreadsheet solutions for all problems via the Web site and the Instructor's Resource Disk.

Audience

The tenth edition of *Multinational Business Finance* is appropriate for the same audiences as those of the previous editions. Earlier editions have been widely used in international financial management courses in university degree programs, university-run executive education programs, and company management development programs.

Readers will find *Multinational Business Finance* most meaningful if they have the background knowledge or experience equivalent to a basic finance course. A previous course in international economics is desirable, but the text and web site supplements are designed to cover sufficient economic material so that a separate background is not essential.

Acknowledgments

The authors are very grateful to the numerous persons who have provided reviews as well as critical comments and suggestions to improve both the current and earlier editions of this book. The tenth edition has benefited immensely from comments we received on previous editions, both from formal reviews and from colleagues' replies to our surveys. The names of our reviewers and survey respondents appears on page viii through xiii.

Gratitude

Woven into the fabric of this book are ideas received from faculty and students at institutions all over the world where we have taught. These include our home universities of University of California, Los Angeles; Oregon State University; University of Hawaii; and Thunderbird. Our visiting stints have been at the Hong Kong University of Science and Technology; University of California, Berkeley; University of Michigan, Ann Arbor; Cranfield School of Management, United Kingdom; University of Hawaii at Manoa; Northern European Management Institute, Norway; Copenhagen Business School, Denmark; Aarhus School of Business, Denmark; Helsinki School of Economics and Business Administration, Finland; Institute for the Development of Executives, Argentina; National University of Singapore; International Centre for Public Enterprises, Yugoslavia; Beijing Institute of Chemical Engineering and Management; and Dalian University of Science & Technology, China. Further ideas came from consulting assignments in Argentina, Belgium, Canada, Denmark, Finland, Guatemala, Hong Kong, Indonesia, Japan, Malaysia, Mexico, the Netherlands, Norway, People's Republic of China, Peru, Sweden, Taiwan, the United Kingdom, and Venezuela.

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We would also like to thank all those with Addison Wesley who have worked so diligently on this tenth edition: Donna Battista, MaryClare McEwing, and Katherine Watson, as well as the superb team led by Sally Boylan at Argosy Publishing.

Finally, we would like to rededicate this book to our parents, the late Wilford and Sylvia Eiteman, the late Harold and Norma Stonehill, and Bennie Ruth and Hoy Mof-fett, who gave us the motivation to become academicians and authors. We thank our wives, Keng-Fong, Kari, and Megan, for their patience through the years spent preparing this edition.

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