



高等学校会计学类英文版教材

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Contemporary Financial Management^{10e}

James R. McGuigan William J. Kretlow R. Charles Moyer

现代财务管理

王斌(对外经济贸易大学) 改编

 高等教育出版社



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To Sally, Craig, and Laura

RCM

To the memory of my mother and father

JRM

To Cindy, John, and Jim

WJK

出版前言

自教育部在《关于加强高等学校本科教学工作 提高教学质量的若干意见》【教高(2001)4号】中提出双语教学的要求后,各地高校相继开设了一系列双语教学课程。这对提高学生的学科和外文水平,开阔国际视野,培养创新型人才起到了重要的作用;一大批教师也逐渐熟悉了外文授课,自身的教学水平和能力得到较大提高,具备国际学术思维的中青年教师脱颖而出。同时,经过近几年的双语教学实践,国外原版教材量大、逻辑不够清晰、疏离中国现实等问题也影响了双语教学的效果。因此,对外版教材进行本土化的精简改编,使之更加适合我国的双语教学已提上教材建设日程。

为了满足高等学校经济管理类双语课程本土化教学的需要,在教育部高等教育司的指导和支持下,高等教育出版社同Thomson Learning等国外著名出版公司通力合作,在国内首次推出了金融、会计、经济学等专业的英文原版改编教材。本套教材的遴选、改编和出版严格遵循了以下几个原则:

1. 择优选取权威的新版本。在各专业选书论证会上,我们要求入选改编的教材不仅是在国际上多次再版的经典之作的最新版本,而且是近年来已在国内被试用的优秀教材。

2. 改编后的教材力求内容规范简明,逻辑更加清晰,语言原汁原味,适合中国的双语教学。选择的改编人既熟悉原版教材内容又具有本书或本门课程双语教学的经验;在改编过程中,高等教育出版社组织了知名专家学者召开了数次改编和审稿会议,改编稿征求了众多教师的意见。

3. 改编后的教材配有较丰富的辅助教学支持资源,教师可在网上免费获取。同时,改编后的教材厚度适中,定价标准较低。

由于原作者所处国家的政治、经济和文化背景等与我国不同,对书中所持观点,敬请广大读者在阅读过程中注意加以分析和鉴别。

此次英文改编教材的出版,得到了很多专家学者的支持和帮助,在此深表谢意!我们期待这批英文改编教材的出版对我国经济管理类专业的教学能有所帮助,欢迎广大读者给我们提出宝贵的意见和建议。

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2005年1月

关于本书

内容简介:

本书以国际的视野阐述和分析了公司财务管理中所涉及的重大理论与实务问题。作为一本在西方商学教育中具有广泛影响的教材,历经多年修订后,全书内容结构、理论体系日臻完善,可以满足商学本科、MBA之所需。

全书由六部分组成。第一部分主要介绍了公司财务的一些基本知识,包括公司财务管理目标、金融市场、财务指标及业绩评价系统、财务规划与预测等基础内容,为读者的进一步学习提供一个基础平台。第二部分主要介绍了估值理论与方法,重点阐述了时间价值、风险与收益的关系、固定收益证券与股票等的估值应用等。第三部分则详细介绍了资本投资决策所涉及的理论与实务问题,并重点强调资本预算过程中的风险分析。第四部分主要涉及资本成本、资本结构与股利政策理论与实务,它是公司财务理论与实务关注的核心。第五部分主要关注营运资本管理,包括营运资本政策与短期融资以及营运资本主要项目的管理实务。第六部分主要针对现代财务管理中的公司重组问题进行了分析和讨论。

作者简介:

James R. McGuigan 原为韦恩州立大学 (Wayne State University) 商学院的财务学副教授,现在他拥有并经营着自己的古钱币投资公司。他毕业于卡内基·梅隆大学 (Carnegie-Mellon University),并在芝加哥大学 (University of Chicago) 商学院研究生院和匹兹堡大学 (University of Pittsburgh) 分别取得MBA和博士学位。尽管作者已离开大学或研究机构,但并没有远离学术界。其主要研究领域是公司财务,并与他人合作在 South-Western 出版公司出版了《管理经济学》(Managerial Economics, 2005) (第十版)、《现代财务管理基础》(Contemporary Financial Management Fundamentals, 2005) 等多部教材和著作。

William J. Kretlow 分别从密西根大学 (University of Michigan)、休斯敦大学 (University of Houston) 和普度大学 (Purdue University) 取得本科、MBA和博士学位,现为休斯敦大学财务学副教授。由于教学出色,多次获最佳教学效果奖。其研究领域主要包括资本资产定价模型、股利政策、债券信用等级评估、财务规划等。

R. Charles Moyer 作为一名活跃的财务学教授,他曾在多所大学和金融机构任职,现任路易斯维尔大学 (University of Louisville) 商业和公共管理学院院长。Moyer教授是一位多产学者,除了和其他作者合作出版了《管理经济

学》(Managerial Economics, 2005)、《现代财务管理基础》(Contemporary Financial Managerial Fundamentals, 2005)等多部有影响力的教材外, 还在《金融杂志》(Journal of Finance)、《金融数量分析杂志》(Journal of Financial and Quantitative Analysis)、《财务研究》(Journal of Financial Research)等各类杂志上发表相关研究论文90余篇。另外, Moyer教授还在财务管理学会(the Financial Management Association)等多家学术机构担任领导之职, 并兼任Journal of Financial Research和Financial Review等杂志副主编。

改编者简介:

王斌, 对外经济贸易大学国际商学院财务学教授, 主要教学和研究方向是公司财务管理、管理会计等。

导 读

我和这本书看来是有一点缘分了。12年前(1995年),在荷兰的Nijenrode大学进修国际会计、税务与审计时,当时财务教授给我们(包括MBA学员)所选用的教材就是这本书,只不过是其第六版。转眼十多年过去了,经过作者们的不断修订、完善,现在摆在读者手头的已是该书的第十版了。

作为教授,如果一生能够写一本好教材,我认为就应该知足了。好教材并不是每位教授都能写出来的。以公司财务为例,除了Ross, Westerfield, Jaffe的《公司理财》(Corporate Finance)(适用于本科、研究生和MBA), Brigham, Houston的《财务管理基础》(Fundamentals of Financial Management)(适用于本科),以及Copland, Weston的《财务理论与公司政策》(Financial Theory and Corporate Policy)(适用于研究生和MBA), Samuels, Wilkes, Brayshaw的《公司财务管理》(Management of Company Finance)(主要适用于本科与研究生,且流行于欧洲各校)等有影响力的教材之外,公认的好教材似乎并不多。读者手头的这本教材,应该算是一本好教材,否则它不可能在商学界盛行多年,且已修订十版。

本书由六大部分组成,各部分的内容及其间的关系是:

第一部分是导论。作为全书的引言,本部分主要介绍了财务管理在企业组织中的作用及其管理目标(第1章),同时对与财务管理密切相关的金融市场进行了简要介绍(第2章),并结合财务指标及业绩评价的引介,为财务管理初涉者提供了学习后续章节所需的基础知识(第3章),最后,着重从现金流角度分析和讨论了公司财务规划与预测(第4章)。所有这些,都是学习公司财务管理所必需的基础知识。

第二部分是财务估价。财务管理的基本属性是价值管理,如何对资产进行估价,是财务管理理论与实务首先必须解决的问题。这一部分的内容安排是国外教材的通行写法。关于财务估价与资产定价,本书首先介绍了有关财务估值的基本概念与方法,包括货币时间价值及相关概念(第5章);其次,结合资本市场深入讨论资本市场的定价原理,即风险——收益关系与资本资产定价模式(第6章);最后,介绍了固定收益证券(债券)和普通股等有价值证券的具体定价方法和运用(第7章和第8章)。

第三部分是长期投资决策。在财务管理理论与实践,投资决策与控制被认为是最困难的,这一方面是因为它是公司战略的体现,投资决策成败决定公司的未来及公司价值增值;另一方面是因为投资决策过程中各种决策变量或参数具有很强的不确定性,人们不仅要估计这些决策变量,而且更重要的是,还需要对这些变量的不确定性进行评估和分析。在本书中,长期投资决策部分由三大内容构成:一是资本预算及现金流量分析(第9章)。它主要讨论了资本预算概念及相关决策变量,同时对现金流量这一要素进行了详细

的介绍,分析了现金流量估算的基本思想。从决策角度来看,现金流量估算与分析是投资决策的所有决策变量中最难估计且最有风险的内容。二是资本预算决策标准(第10章)。这一章的关键是如何从价值角度来判断拟投资项目的可行性,主要包括净现值法、现值指数法、内含报酬率法和回收期法等,并从理论上对这四种常用方法进行了全新的比较。三是资本预算中的风险分析(第11章)。在本章中,主要介绍了投资项目的风险调整法(如模拟法、敏感分析法、情景分析法),同时还介绍了当某一项目的系统风险不同于公司整体资产的系统风险时,需要涉及的贝塔风险调整法。所有这些方法,都旨在降低项目决策的风险。

第四部分是资本成本、资本结构与股利政策。在财务理论中,资本成本、资本结构和股利政策理论被认为是最完善但争议也最大的部分。从财务实践看,这一部分也是最受关注的管理领域之一。其中,资本成本(第12章)不仅在资本预算决策中意义重大(它是资本预算中的主要决策变量之一),而且其估算过程涉及资本市场、定价模式,难度较大。在这一章,主要论述了加权平均资本成本的含义及个别资本成本的估算方法,并强调了公司分部的资本成本估算、实践中的资本成本估算步骤等现实问题。本部分的第二项内容是资本结构决策(第13章),作者从经营风险、财务风险角度入手,引出了资本结构这一理论问题,并详细介绍了资本结构的相关理论(如MM理论、信号理论、优序理论),以及公司管理层对这些理论的实践理解。本部分的最后一项内容是全面论述了股利政策、决策所涉及的相关财务理论与实务问题(第14章)。

第五部分是营运资本管理。在这一部分,作者分别介绍营运资本政策与短期融资问题(第15章)、现金及有价证券管理(第16章)、应收账款与存货管理(第17章)。作为相对成熟的内容,本部分在体系安排上延续了大多数教材的流行写法。

第六部分是财务管理专题。在这一部分中,原书分别讨论了租赁和中长期融资、衍生金融工具融资、风险管理、国际财务管理和公司重组等相关财务管理专题。这些财务管理专题的加入,丰富了现代财务管理的内容和体系。同样由于篇幅原因,在本次改编中,我们只保留了公司重组(第18章)这一章,而将其他章节进行了删除。

本教材非常适合作为商学本科及MBA的公司财务教材,其最大特点是难易适中、体系全面、论述逻辑清晰。我想,这也是本教材长盛于市场的主要原因。

改编者:王斌

2007-06-27

About the Authors

R. Charles Moyer

is a Professor of Finance and is the Dean of the College of Business and Public Administration at the University of Louisville. Prior to his position at Louisville, Professor Moyer held the GMAC Insurance Chair in Finance and was Dean of the Babcock Graduate School of Management, Wake Forest University. Professor Moyer was a Professor of Finance and Chairman of the Department of Finance at Texas Tech University between 1980 and 1988. Professor Moyer previously taught at the University of Houston, Lehigh University, and the University of New Mexico. Born in Reading, Pennsylvania, he earned his B.A. in economics (*cum laude*) from Howard University, where he was elected to Phi Beta Kappa. He received his M.B.A. and Ph.D. in Business from the University of Pittsburgh. In addition to his teaching career, Professor Moyer has spent a year at the Federal Reserve Bank of Cleveland and a year as a Sears-AACSB Federal Faculty Fellow at the Maritime Administration, U.S. Department of Commerce, serving as a financial and economic analyst. Professor Moyer has taught extensively in executive education programs, including the Stonier Graduate School of Banking. He also frequently is called upon to provide expert testimony in public utility rate cases across the nation.

Professor Moyer has been a productive scholar. In addition to coauthoring *Contemporary Financial Management*, Tenth Edition, he has also coauthored *Managerial Economics*, Tenth Edition (South-Western, 2005), *Contemporary Financial Management Fundamentals* (South-Western 2005), and *Financial Management with Lotus 1-2-3* (West, 1986). Professor Moyer has published extensively in leading finance and economic journals, including *Financial Management*, *Journal of Financial and Quantitative Analysis*, *Journal of Finance*, *Financial Review*, *Journal of Financial Research*, *International Journal of Forecasting*, *Journal of Economics and Business*, *Journal of Industrial Organization*, and many others. In total, he has published over 90 articles. Professor Moyer has served as a vice president of the Financial Management Association, as a director of the Financial Management Association, the Eastern Finance Association, and the Southern Finance Association, and as Secretary/Treasurer of the Financial Management Association. He is a past president of the Southern Finance Association. He is a frequent reviewer for many finance and economic journals and an associate editor of the *Journal of Financial Research* and the *Financial Review*.

Professor Moyer has received teaching excellence awards both at the University of New Mexico and at Wake Forest University.

Professor Moyer enjoys athletics and is particularly active as a golfer and tennis player.

James R. McGuigan

currently owns and operates his own numismatic investment firm. Prior to this activity, he was Associate Professor of Finance and Business Economics in the School of Business Administration at Wayne State University, where he taught in the undergraduate and masters programs for 10 years. He also has taught at the University of Pittsburgh and Point Park College.

Dr. McGuigan received his undergraduate degree from Carnegie-Mellon University. His graduate degrees are from the Graduate Schools of Business at the University of Chicago (M.B.A.) and the University of Pittsburgh (Ph.D.).

He has published articles dealing with his research on options in the *Journal of Financial and Quantitative Analysis*. In addition to his interests in financial management, Dr. McGuigan has coauthored books in managerial economics, including *Managerial Economics*, Tenth Edition (South-Western, 2005), which he coauthored with R. Charles Moyer and Frederick Harris, and *Contemporary Financial Management Fundamentals* (South-Western 2005), coauthored with R. Charles Moyer and Ramesh P. Rao.

Dr. McGuigan's other interests include running and traveling.

William J. Kretlow

is an Associate Professor of Finance at the University of Houston. Born and raised in Chicago, he earned his B.S. from the University of Michigan. He received his M.B.A. from the University of Houston and his Ph.D. from Purdue University, where he was a David Ross Fellow. In addition to teaching at UH, he has been part-time Associate Professor of Economics at Rice University. At UH, he has taught financial management and investments at all levels. He has taught large introductory sections of managerial finance at both Houston and Rice. He has also taught extensively in executive programs, including the UH Executive M.B.A. and Executive Development Programs, and the Stonier Graduate School of Banking of the American Bankers Association.

Professor Kretlow has received several teaching awards, including the University of Houston Teaching Excellence Award and the College of Business Administration Excellence in Teaching Award. He also is recipient of Rice University's *Magna Cum Laude* Teaching Excellence Award.

In the area of academic research, Professor Kretlow has published numerous articles and presented papers at professional society meetings. His research deals with the capital asset pricing model, dividend policy, bond ratings, and financial planning models.

Professor Kretlow's business experience includes a total of 5 years with Tenneco and Monsanto, and he has advised various small and medium-sized companies on a variety of financial matters. He also has served as an expert witness in a number of financial cases. He is experienced in the valuation of closely held businesses.

The financial management field continues to experience exciting change and growth. Financial practitioners are increasingly employing new financial management techniques and sophisticated computer resources to aid in their decision making. “Financial engineers” have created new derivative financial instruments and transactions, such as options, financial futures contracts, options on futures contracts, foreign currency swaps, and interest rate swaps, to help managers manage risk and increase shareholder wealth. Many domestic industries have been restructured because of the pressures of foreign competition. Leveraged buyout transactions also have forced managers to make more careful use of their firm’s resources. Corporate reformers have focused attention on the structure of corporate governance relationships and the impact of alternative managerial compensation packages on firm performance. Bankruptcy filings increased dramatically at the end of the 1980s and remained at high levels through 2004. The Internet is transforming the way securities are bought and sold and the way companies access new capital. At the same time, financial researchers have made important advances in the areas of valuation, cost of capital, capital structure theory and practice, option valuation (including “real” options associated with capital investments), risk management, and dividend policy. Access to and content of the Internet have greatly expanded, making timely financial information increasingly available to customers, investors, and financial managers.

The future promises to be an even more exciting time for finance professionals. Financial managers have refocused their attention on the basic objective of maximizing shareholder wealth. Managers who act contrary to the interests of shareholders face the prospect of an unfriendly takeover, a corporate restructuring, pressure from domestic and foreign competitors, or pressures from shareholder groups and institutional investors. Firms increasingly must find operating savings necessary to remain competitive, as managers continue to struggle to find the optimal capital structure for their firm. The central importance of cash flows in the financial management of a firm has never been more apparent. Firms carrying significantly more debt than in the past faced new challenges during the recession of 2001–2003. The European economic and monetary unification, the capitalization of Russia and its former states, the rise of capitalism in China, and the utilization of human and business resources in India have all required contemporary financial managers to possess greater knowledge of doing business in an international marketplace. In addition, the standards of ethical behavior adopted by managers of business enterprises become ever more important. Finally, the impact of the Internet on all areas of business practice will continue to revolutionize the financial arena as the result of the lifting of barriers to timely information access and the increase of competitive pressures on business managers.

Contemporary Financial Management, Tenth Edition, incorporates these changes—the increased focus on shareholder wealth maximization and cash flow management, an emphasis on the international aspects of financial management, a concern for the ethical behavior of managers, and the new information available on the Internet—into a text designed primarily for an introductory course in financial management. The book is also suitable for management development programs and as a reference aid to practicing finance professionals.

We recognize that students enter this course with a wide variety of backgrounds in mathematics, economics, accounting, and statistics. The only presumption we make regarding prior preparation is that all students will have had one course in financial accounting.

Organization and Intended Use

Contemporary Financial Management (CFM) is organized into six major parts. Part 1 defines the finance function, examines the goals of the firm, considers the role of the financial manager, reviews the structure and functioning of the domestic and international financial marketplace, and reviews accounting fundamentals, including the analysis of financial performance and financial planning and forecasting. The importance of tax considerations to the

practice of financial management also is analyzed. The basic concepts of shareholder wealth maximization, cash flows, net present value, and market efficiency are presented. Part 2 develops the theory of valuation, including a comprehensive treatment of time value of money concepts, the valuation of fixed income securities, and the valuation of equity securities. The role of investment bankers in the issuance of securities is discussed. Risk-return analysis concepts are presented. Part 3 presents the capital investment decision, emphasizing both the theoretical and the practical aspects of capital budgeting. Part 4 deals with the cost of capital, the determinants of an optimal capital structure, and dividend policy. Part 5 considers working capital management decisions in the areas of cash, marketable securities, accounts receivable, inventories, and sources of short-term financing. Part 6 covers corporate restructuring.

Those instructors who wish to cover topics in an order other than that provided in the text will find it easy to make adjustments. The book is designed for use in a 3-semester-hour (or the equivalent in the quarter system) course in financial management. Typically, within the constraints of this time limit, it is often not possible to fully cover all topics. Instructors will find it easy to defer more advanced or specialized topics until a later course.

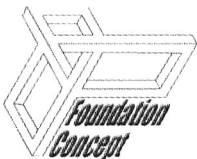
Distinctive Features

Many financial management texts are well written and provide adequate coverage of the basic topics in financial management. In preparing this tenth edition, we continue our commitment to provide a comprehensive, correct, and well-written introduction to the field of financial management. The current edition reflects the many refinements that have been made over the years in previous editions. In addition, we have created a text package that fully reflects contemporary financial management developments in the book's pedagogical aids, organizational design, and ancillary materials.

Pedagogical Features

CFM has been carefully designed to assist the student in learning and to stimulate student interest. Distinctive pedagogical features include

1. **Financial Challenges.** Each chapter begins with an illustration of a financial management problem faced by a firm or individual. These exciting lead-ins come from real-firm situations, including Long-Term Capital Management, AT&T, Krispy Kreme, TimeWarner, MCI-WorldCom, Google, Questar, Delta Airlines, Cisco Systems, Xerox, International Lease Finance Corporation, IBM, Ford, Enron, Cleveland Cliffs, Honda, Toyota, Southwest Airlines, Microsoft, and Boeing. These examples focus on financial problems in the topic area of the chapter and highlight the importance of learning sound financial management principles. The "Financial Challenges" have been extensively revised and updated from the ninth edition, including the addition of 12 totally new examples.
2. **Foundation Concepts.** These concepts are introduced early in the text. Their central importance in the study of finance is highlighted by specially designated icons indicating that these are "Foundation Concepts" and hence worthy of extra attention by the student. Important foundation concepts are identified throughout the book, including the determinants of the return on equity, the valuation of assets, the valuation of common stock, cash flow estimation principles, capital budgeting decision models, business risk, financial risk, and the weighted cost of capital.
3. **International Issues.** To emphasize and reinforce the global nature of financial decision making, we have included "International Issues" sections throughout the book to illustrate the global issues associated with making financial decisions. By covering international finance in two chapters—and throughout, with the "International Issues" features—we ensure that all students will be exposed to important international-



al dimensions of financial management decisions, as expected by the AACSB, and we provide an opportunity for in-depth coverage of some of the more important international finance topics.

4. **Ethical Issues.** “Ethical Issues” sections are integrated throughout to present some of the ethical dilemmas facing financial managers. These sections raise sensitivities to ethical issues and usually conclude with questions and issues for further classroom discussion.
5. **Entrepreneurial Issues.** In recognition of the important and growing role of small and medium-sized firms in the American business environment, we have included “Entrepreneurial Issues” sections that appear in appropriate places throughout the book and emphasize unique finance-related problems and concerns of entrepreneurs.
6. **Extensive and Fully Integrated Examples of the Financial Policies and Problems That Face Real Firms.** Throughout the book, we have illustrated financial management concepts by using problems facing real firms. By minimizing the number of hypothetical firm situations and using data and situations facing actual firms that students will recognize and relate to, *CFM* has further enhanced the realism and excitement of the field of finance.
7. **Intuitive Use of Notation.** Notation in the text is simplified and intuitive to aid student learning. Inside the back cover, we have provided a handy summary of the key notation used throughout the book.
8. **Internet Applications.** This edition provides numerous references to interesting Internet applications. The applications provide students with handy references that can be used to explore the Internet for additional information and data dealing with chapter topics.
9. **Extensive Problem Sets.** Many of the end-of-chapter problems contain a surfeit of information, forcing students to identify the relevant material needed to solve the problem. The problem sets provide students and instructors with a greater breadth of problem coverage than in many other texts. In addition, the problems have been identified with a difficulty rating ranging from basic, to intermediate, to challenging.

In several finance textbooks, problems are labeled to indicate the type of problem to be solved. We have specifically chosen *not* to include this information because of our belief that recognition of the problem type is an important part of the learning process. However, we understand the differing needs and goals of instructors, and thus have provided these categories in Appendix A of the *Instructors’ Resource Manual*, so that it can be easily shared with students if desired. Selected check answers to some of the end-of-chapter problems appear at the end of the text.
10. **Self-Test Problems.** Each chapter includes end-of-chapter “Self-Test Problems,” with detailed solutions at the end of the text that students can use for further practice and enhanced understanding of the concepts developed in the chapter.
11. **Integrative Cases.** At the end of appropriate chapters, an expanded set of comprehensive “Integrative Cases” are provided. Many of these cases can be used in conjunction with the Excel models to demonstrate the power of computers in performing sensitivity analysis.
12. **Excel™ Problems.** Throughout the text, problems that can be solved using Excel are highlighted with an Excel icon. To help solve these problems, more than 20 user-friendly, flexible Excel models are available and require no prior knowledge of Excel.
13. **Internet Margin Notes.** Internet margin notes direct students to finance sites of interest, relevant to chapter topics.



Organizational Design

Contemporary Financial Management is organized around the objective of maximizing the

value of the firm for its shareholders. This objective is introduced early in the book, and each major financial decision is linked to the impact it has on the value of the firm. The distinctive content features are designed to complement this objective:

1. **Emphasis on the fundamental concepts of cash flow, net present value, risk-return relationships, and market efficiency.** There are four concepts that are central to a complete understanding of most financial management decisions:
 - a The importance of cash flows as the relevant source of value to a firm
 - b The significance of the net present value rule for valuing cash flows
 - c The relationship between risk and return in the valuation process
 - d The efficiency of the capital markets
2. **Unique treatment of problems of international financial management.** In a business world that is increasingly global, it is important that finance students be aware of the most important dimensions of international finance. Some texts provide a single chapter dealing with a potpourri of international issues, but due to time constraints, many instructors have difficulty in covering this material. Other texts use a series of short international topic sections scattered throughout the book, but this approach does not provide the in-depth coverage needed for some international finance topics, such as hedging exchange rate risk. In the tenth edition of *CFM*, important international finance relationships, including the operation of foreign currency markets, exchange rate determination, and the role of multinational firms in the global economy, are covered in Chapter 2 ("The Domestic and International Financial Marketplace").
3. **Comprehensive and integrated coverage of ethical issues facing financial managers.** Financial managers seeking to maximize shareholder wealth must also confront difficult ethical dilemmas. "Ethical Issues" sections are integrated throughout and present some of the ethical dilemmas facing financial managers. This treatment of the ethical dimensions of financial management is consistent with the AACSB's recommendations for coverage of these issues.
4. **Early coverage of institutional characteristics and valuation models for financial instruments.** We have provided separate chapters (Chapters 7 and 8) dealing with the valuation of fixed income securities and common stock. These chapters also define all of the important characteristics of each of these security types and cover the institutional aspects of the markets for these securities, including the reading and understanding of security transaction information from sources like *The Wall Street Journal*. This structure provides students with both an institutional understanding of bonds, preferred stock, and common stock and an understanding of the valuation process for securities in the financial marketplace.
5. **Early coverage of time value of money concepts.** Time value of money concepts are covered in depth in Chapter 5. This treatment provides students with the exposure needed to fully understand the valuation process that is central to the goal of shareholder wealth maximization. In addition, this coverage of the time value of money involves students in useful practical applications early on in the course, setting an early tone of relevance for the course.
6. **The importance of cash flow analysis is introduced early and reemphasized throughout the text.** Chapter 1 introduces students to the importance of the cash flow concept. This concept is then applied extensively in the context of financial planning and forecasting (Chapter 4), valuation (Chapters 7 and 8), capital budgeting (Chapters 9, 10, and 11), dividend policy (Chapter 14), working capital management (Chapter 15), and corporate restructuring (Chapter 18).
7. **Attention to unique problems of financial management in entrepreneurial finance.** In recognition of the important and growing role of small and medium-sized firms in

the American business environment, we have included “Entrepreneurial Issues” sections which appear in appropriate places throughout the book and emphasize unique finance-related problems and concerns of entrepreneurs (small businesses).

8. **Extensive development of the cash flow estimation process in capital budgeting.** Perhaps the most important step in the capital budgeting process is the estimation of cash flows for potential projects. *CFM* devotes an entire chapter (Chapter 9) to this topic.
9. **A detailed discussion of real options that are embedded in many capital investment projects.** Finance scholars and practitioners have increasingly focused attention on “embedded options” in capital investment projects, such as the option to abandon, the option to expand, and the option to defer investments. These options add value to an investment project above that normally identified in a net present value calculation. Chapter 10 includes an extensive—and expanded in this edition—intuitive discussion of real options in capital budgeting.
10. **Coverage of the newest financial analysis and performance appraisal concepts.** The increased attention given to the objective of shareholder wealth maximization has brought about the development of new performance appraisal models that can be used to judge a firm’s performance and motivate managers to create value. The “Market Value Added” and “Economic Value Added” concepts, developed by Stern-Stewart, are covered in detail in Chapter 3 (“Evaluation of Financial Performance”).
11. **Broad, integrated treatment of working capital management.** For many small and medium-sized companies, the management of working capital can present more challenges than any other area of financial management. A thorough and up-to-date 3-chapter section on working capital management is included.
12. **Frequent coverage of the impact of agency relationships in financial management.** The impact of principal-agent relationships on decisions in the areas of goal setting, valuation, capital structure, dividend policy, and corporate restructuring are presented throughout the book.

Major Changes in the Tenth Edition

The ninth edition of *CFM* was extremely well received by our adopters. Hence, we have retained the basic features and organizational structure of that edition. Many users and reviewers have made suggestions to further improve the text, as have our student users, and we have tried to incorporate them into the new edition. In addition, we have added some new content and made changes to pedagogical features to enhance the learning process. Throughout the book, many additional, contemporary examples and Web site references have been added. Other significant changes include the following:

- Behavioral finance perspectives on the financial marketplace are introduced in Chapter 2 and have been expanded from the ninth edition.
- The coverage of financial planning and forecasting has been moved to an earlier position in the book (Chapter 4).
- The “Financial Challenge” sections in each chapter have been extensively updated to include 12 new examples.
- The impact of the Enron failure is discussed in several places in the book, including Chapters 1 and 18.
- Illustrations and examples have been extensively updated throughout the book.
- Problem sets at the end of each chapter have been updated and expanded.
- Solutions to the self-test problems are all located in a new section at the end of the book.