

SEVENTH EDITION

# Foundations of Financial Management



Stanley B. Block • Geoffrey A. Hirt

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# Foundations of Financial Management

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# Editor's Note



Over one-half million students strong—and growing. The past six editions of Block and Hirt's *Foundations of Financial Management* have been used by over a half million students. Impressed by its clear and thorough treatment of financial concepts and their applications, an increasing number of instructors have turned to *Foundations of Financial Management*. The exponential growth of the book can be attributed to one basic factor: It works! After adopting Block and Hirt, few instructors find other

# Preface



Opening up 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. In

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financial statements. Furthermore, as you are about to begin your career you will be much better prepared when called upon to apply financial concepts.

## Features

### Functional Use of Four Colors

The seventh edition enhances the functional use of four colors to build 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 (debt to assets), an income statement ratio (profit margin), or a mixed ratio (asset turnover).

### In-Book Chapter 9 Acetates on Time Value of Money

The concept of the “time value of money” is one of the most difficult topics in any financial management book 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 seventh 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.

### More Real World Examples

We have *expanded and revised* our use of *real world examples* in an integrated fashion throughout the book to bring finance to life. These real world examples have been listed on pages xxxiv through xxxvi for your convenience. We have also included boxes highlighting real world situations. Titled, “Finance in Action,” these boxes address topics such as capital budgeting at Sony and the aftereffects of leveraged buyouts.

### Comprehensive International Coverage

In keeping with the rapid *internationalization* of today’s capital markets, we have expanded and updated our coverage of how this development has impacted the U.S. economy and corporations. Also included is a discussion of the implications of the *European Community 92*. Although we continue to have a separate chapter on international finance, not all classes will be able to include a whole chapter on this topic. Integrating international material into a

number of earlier chapters demonstrates that financial decisions are becoming more global in scope.

### **Other Contemporary Issues**

*Contemporary issues* remain a strong feature of the seventh edition. They include *international cash management*, *Dutch Auction Preferred Stock*, *European Community 1992*, and the effects of the Clinton administration on financial markets. We have included updates and revisions on corporate restructuring and divestitures, leveraged buyouts, the changing nature of the investment banking and financial services industries, corporate stock repurchases, and uses of electronic funds transfer in cash management on the international level. The material on shelf registrations, floating rate, and zero-coupon debt, as well as Euro-convertible debt, has been revised.

### **Summary List of Equations**

At the end of every chapter that includes equations, we have provided a list of all equations used in that chapter. The formulas appear in red facilitating easy recognition. This summary list will help students review the mathematics of financial analysis.

### **End-of-Chapter Material**

### **List of Key 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 for each term so that you can quickly locate the term's discussion within the text. Every term listed at the end of the chapter is fully defined in the Glossary, located at the end of the book.

### **Discussion Questions and Problems**

The material in the text is supported by a large number of questions that emphasize definitions, concepts, and the application of theory. The problems are a very important part of the text and have been written with care to be consistent with the chapter material. To encourage your identification of concepts and facilitate the instructor's assignment of problem material, each problem is labeled. There are a large number of problems, particularly in the areas of financial analysis and capital budgeting. Overall, there are approximately 250 questions and 335 problems in the edition. Over two-thirds of the problems are new and the remainder have been rewritten to better reflect the changing corporate environment.

### Comprehensive Problems

Several chapters have optional comprehensive problems that integrate and require the application of several financial concepts into one problem. Sometimes these comprehensive problems will cover several concepts from one chapter. Occasionally, a comprehensive problem at the end of the last chapter in a section (such as the Masco Oil and Gas Co. in Chapter 11) will include material from as many as four chapters.

### Supplemental Material

#### Study Guide

An excellent student Study Guide and Workbook has been created by Dwight C. Anderson. The manual contains chapter summaries, outlines with page references, multiple choice questions with solutions provided, and problems with solutions provided.

#### The Wall Street Journal: Applications in Finance 1994 Edition

Free of charge to all students who purchase a copy of *Foundations of Financial Management* from IRWIN, this item has been updated and revised to include an even greater variety of situations from the world of finance. Many of the articles also provide global perspectives. With concept questions integrated throughout each article, you'll discover key finance concepts in practice. This fine item may be purchased separately.

### Acknowledgments

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**Stanley B. Block**  
**Geoffrey A. Hirt**

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