BREALEY MYERS ALLEN

Principles *of* Corporate Finance

TENTH EDITION

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Richard A. Brealey
Professor of Finance
London Business School

Stewart C. Myers
Robert C. Merton (1970) Professor of Finance
Sloan School of Management
Massachusetts Institute of Technology

Franklin Allen
Nippon Life Professor of Finance
The Wharton School
University of Pennsylvania

藏书章

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PRINCIPLES OF CORPORATE FINANCE

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To Our Parents

About the Authors

Richard A. Brealey

Professor of Finance at the London Business School. He is the former president of the European Finance Association and a former director of the American Finance Association. He is a fellow of the British Academy and has served as a special adviser to the Governor of the Bank of England and director of a number of financial institutions. Other books written by Professor Brealey include *Introduction to Risk and Return from Common Stocks.*

Stewart C. Myers

Robert C. Merton (1970) Professor of Finance at MIT's Sloan School of Management. He is past president of the American Finance Association and a research associate of the National Bureau of Economic Research. His research has focused on financing decisions, valuation methods, the cost of capital, and financial aspects of government regulation of business. Dr. Myers is a director of Entergy Corporation and The Brattle Group, Inc. He is active as a financial consultant.

Franklin Allen

Nippon Life Professor of Finance at the Wharton School of the University of Pennsylvania. He is past president of the American Finance Association, Western Finance Association, and Society for Financial Studies. His research has focused on financial innovation, asset price bubbles, comparing financial systems, and financial crises. He is a scientific adviser at Sveriges Riksbank (Sweden's central bank).

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Preface

This book describes the theory and practice of corporate finance. We hardly need to explain why financial managers have to master the practical aspects of their job, but we should spell out why down-to-earth managers need to bother with theory.

Managers learn from experience how to cope with routine problems. But the best managers are also able to respond to change. To do so you need more than time-honored rules of thumb; you must understand *why* companies and financial markets behave the way they do. In other words, you need a *theory* of finance.

Does that sound intimidating? It shouldn't. Good theory helps you to grasp what is going on in the world around you. It helps you to ask the right questions when times change and new problems need to be analyzed. It also tells you which things you do *not* need to worry about. Throughout this book we show how managers use financial theory to solve practical problems.

Of course, the theory presented in this book is not perfect and complete—no theory is. There are some famous controversies where financial economists cannot agree. We have not glossed over these disagreements. We set out the arguments for each side and tell you where we stand.

Much of this book is concerned with understanding what financial managers do and why. But we also say what financial managers *should* do to increase company value. Where theory suggests that financial managers are making mistakes, we say so, while admitting that there may be hidden reasons for their actions. In brief, we have tried to be fair but to pull no punches.

This book may be your first view of the world of modern finance theory. If so, you will read first for new ideas, for an understanding of how finance theory translates into practice, and occasionally, we hope, for entertainment. But eventually you will be in a position to make financial decisions, not just study them. At that point you can turn to this book as a reference and guide.

Changes in the Tenth Edition

We are proud of the success of previous editions of *Principles,* and we have done our best to make the tenth edition even better.

What is new in the tenth edition? First, we have rewritten and refreshed several basic chapters. Content remains much the same, but we think that the revised chapters are simpler and flow better. These chapters also contain more **real-world examples**.

- **Chapter 1** is now titled "Goals and Governance of the Firm." We introduce financial management by recent examples of capital investment and financing decisions by several well-known corporations. We explain why value maximization makes sense as a financial objective. Finally, we look at why good governance and incentive systems are needed to encourage managers and employees to work together to increase firm value and to behave ethically.
- **Chapter 2** combines Chapters 2 and 3 from the ninth edition. It goes directly into how present values are calculated. We think that it is better organized and easier to understand in its new presentation.
- **Chapter 3** introduces bond valuation. The material here has been reordered and simplified. The chapter focuses on default-free bonds, but also includes an introduction to corporate debt and default risk. (We discuss corporate debt and default risk in more detail in Chapter 23.)
- Short-term and long-term financial planning are now combined in **Chapter 29**. We decided that covering financial planning in two chapters was awkward and inefficient.
- **Chapter 28** is now devoted entirely to financial analysis, which should be more convenient to instructors who wish to assign this topic early in their courses. We explain how the financial statements and ratios help to reveal the value, profitability, efficiency, and financial strength of a real company (Lowe's).

The **credit crisis** that started in 2007 dramatically demonstrated the importance of a well-functioning financial system and the problems that occur when it ceases to function properly. Some have suggested that the crisis disproved the lessons of modern finance. On the contrary, we believe that it was a wake-up call—a call to remember basic principles, including the importance of good systems of governance, proper

management incentives, sensible capital structures, and effective risk management.

We have added **examples and discussion of the crisis throughout the book**, starting in Chapter 1 with a discussion of agency costs and the importance of good governance. Other chapters have required significant revision as a result of the crisis. These include **Chapter 12**, which discusses executive compensation; **Chapter 13**, where the review of market efficiency includes an expanded discussion of asset price bubbles; **Chapter 14**, where the section on financial institutions covers the causes and progress of the crisis; **Chapter 23**, where we discuss the AIG debacle; and **Chapter 30**, where we note the effect of the crisis on money-market mutual funds.

The first edition of this book appeared in 1981. Basic principles are the same now as then, but the last three decades have also generated important changes in theory and practice. Research in finance has focused less on what financial managers should do, and more on understanding and interpreting what they do in practice. In other words, finance has become more positive and less normative. For example, we now have careful surveys of firms' capital investment practices and payout and financing policies. We review these surveys and look at how they cast light on competing theories.

Many financial decisions seem less clear-cut than they were 20 or 30 years ago. It no longer makes sense to ask whether high payouts are always good or always bad, or whether companies should always borrow less or more. The right answer is, "It depends." Therefore we set out pros and cons of different policies. We ask "What questions should the financial manager ask when setting financial policy?" You will, for example, see this shift in emphasis when we discuss payout decisions in **Chapter 16**.

This edition builds on other changes from earlier editions. We recognize that financial managers work more than ever in an international environment and therefore need to be familiar with international differences in financial management and in financial markets and institutions. **Chapters 27** (Managing International Risks) **and 33** (Governance and Corporate Control around the World) **are exclusively devoted to international issues**. We have also found more and more opportunities in other chapters to draw cross-border comparisons or use non-U.S. examples. We hope that this material will both provide a better understanding of the wider financial environment and be useful to our many readers around the world.

As every first-grader knows, it is easier to add than to subtract. To make way for new topics we have needed to make some judicious pruning. We will not tell you where we have cut out material, because we hope that the deletions will be invisible.

Making Learning Easier

Each chapter of the book includes an introductory preview, a summary, and an annotated list of suggested further reading. The list of possible candidates for further reading is now voluminous. Rather than trying to list every important article, we have largely listed survey articles or general books. More specific references have been moved to footnotes.

Each chapter is followed by a set of **basic questions, intermediate questions** on both numerical and conceptual topics, and a few **challenge questions**. Answers to the odd-numbered basic questions appear in an appendix at the end of the book.

We have added a **Real-Time Data Analysis** section to chapters where it makes sense to do so. This section now houses some of the Web Projects you have seen in the previous edition, along with new Data Analysis problems. These exercises seek to familiarize the reader with some useful Web sites and to explain how to download and process data from the Web. Many of the Data Analysis problems use financial data that the reader can download from **Standard & Poor's Educational Version of Market Insight**, an exclusive partnership with McGraw-Hill.

The book also contains 10 end-of-chapter **mini-cases**. These include specific questions to guide the case analyses. Answers to the mini-cases are available to instructors on the book's Web site.

Spreadsheet programs such as **Excel** are tailor-made for many financial calculations. Several chapters now include boxes that introduce **the most useful financial functions** and provide some short practice questions. We show how to use the Excel function key to locate the function and then enter the data. We think that this approach is much simpler than trying to remember the formula for each function.

Many tables in the text appear as spreadsheets. In these cases an equivalent "live" spreadsheet appears on the book's Web site. Readers can use these live spreadsheets to understand better the calculations behind the table and to see the effects of changing the underlying data. We have also linked end-of-chapter questions to the spreadsheets.

We conclude the book with a glossary of financial terms.

The 34 chapters in this book are divided into 11 parts. Parts 1 to 3 cover valuation and capital investment decisions, including portfolio theory, asset

pricing models, and the cost of capital. Parts 4 to 8 cover payout policy, capital structure, options (including real options), corporate debt, and risk management. Part 9 covers financial analysis, planning, and working-capital management. Part 10 covers mergers and acquisitions, corporate restructuring, and corporate governance around the world. Part 11 concludes.

We realize that instructors will wish to select topics and may prefer a different sequence. We have therefore written chapters so that topics can be introduced in several logical orders. For example, there should be no difficulty in reading the chapters on financial analysis and planning before the chapters on valuation and capital investment.

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Richard A. Brealey
Stewart C. Myers
Franklin Allen

Pedagogical Features

Chapter Overview

Each chapter begins with a brief narrative and outline to explain the concepts that will be covered in more depth. Useful Web sites related to material for each Part are provided on the book's Web site at **www.mhhe.com/bma**.

PART 1

VALUE

CHAPTER 1

Goals and Governance of the Firm

This book is about how corporations make financial decisions. We start by explaining what these decisions are and what they are seeking to accomplish.

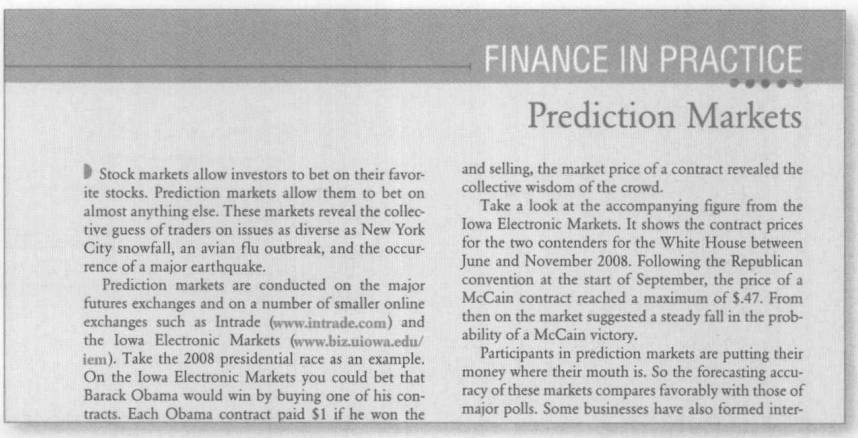
Corporations invest in real assets, which generate cash inflows and income. Some of the assets are tangible

of these things, it does cover the concepts that govern good financial decisions, and it shows you how to use the tools of the trade of modern finance.

We start this chapter by looking at a fundamental trade-off. The corporation can either invest in new

Finance in Practice Boxes

Relevant news articles from financial publications appear in various chapters throughout the text. Aimed at bringing real-world flavor into the classroom, these boxes provide insight into the business world today.



FINANCE IN PRACTICE

Prediction Markets

Stock markets allow investors to bet on their favorite stocks. Prediction markets allow them to bet on almost anything else. These markets reveal the collective guess of traders on issues as diverse as New York City snowfall, an avian flu outbreak, and the occurrence of a major earthquake.

Prediction markets are conducted on the major futures exchanges and on a number of smaller online exchanges such as Intrade (www.intrade.com) and the Iowa Electronic Markets (www.biz.uiowa.edu/iem). Take the 2008 presidential race as an example. On the Iowa Electronic Markets you could bet that Barack Obama would win by buying one of his contracts. Each Obama contract paid $1 if he won the

and selling, the market price of a contract revealed the collective wisdom of the crowd.

Take a look at the accompanying figure from the Iowa Electronic Markets. It shows the contract prices for the two contenders for the White House between June and November 2008. Following the Republican convention at the start of September, the price of a McCain contract reached a maximum of $.47. From then on the market suggested a steady fall in the probability of a McCain victory.

Participants in prediction markets are putting their money where their mouth is. So the forecasting accuracy of these markets compares favorably with those of major polls. Some businesses have also formed inter-

Numbered Examples

New to this edition! Numbered and titled examples are called-out within chapters to further illustrate concepts. Students can learn how to solve specific problems step-by-step as well as gain insight into general principles by seeing how they are applied to answer concrete questions and scenarios.

EXAMPLE 2.3 • Winning Big at the Lottery

When 13 lucky machinists from Ohio pooled their money to buy Powerball lottery tickets, they won a record $295.7 million. (A fourteenth member of the group pulled out at the last minute to put in his own numbers.) We suspect that the winners received unsolicited congratulations, good wishes, and requests for money from dozens of more or less worthy charities. In response, they could fairly point out that the prize wasn't really worth $295.7 million. That sum was to be repaid in 25 annual installments of $11.828 million each. Assuming that the first payment occurred at the end of one year, what was the present value of the prize? The interest rate at the time was 5.9%.

These payments constitute a 25-year annuity. To value this annuity we simply multiply $11.828 million by the 25-year annuity factor:

$$\text{PV} = 11.828 \times \text{25-year annuity factor}$$

$$= 11.828 \times \left[\frac{1}{r} - \frac{1}{r(1+r)^{25}}\right]$$

Excel Treatment

Useful Spreadsheet Functions Boxes

New to this edition! These boxes provide detailed examples of how to use Excel spreadsheets when applying financial concepts. Questions that apply to the spreadsheet follow for additional practice.

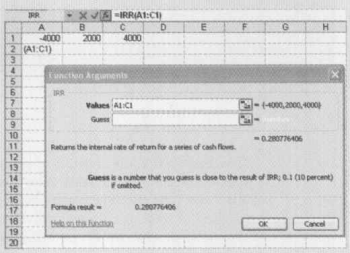
USEFUL SPREADSHEET FUNCTIONS

Internal Rate of Return

Spreadsheet programs such as Excel provide built-in functions to solve for internal rates of return. You can find these functions by pressing *fx* on the Excel toolbar. If you then click on the function that you wish to use, Excel will guide you through the inputs that are required. At the bottom left of the function box there is a Help facility with an example of how the function is used.

Here is a list of useful functions for calculating internal rates of return, together with some points to remember when entering data:

- **IRR:** Internal rate of return on a series of regularly spaced cash flows.
- **XIRR:** The same as IRR, but for irregularly spaced flows.



Note the following:

- For these functions, you must enter the addresses of the cells that contain the input values.
- The IRR functions calculate only one IRR even when there are multiple IRRs.

SPREADSHEET QUESTIONS

The following questions provide an opportunity to practice each of the above functions:

1. (IRR) Check the IRRs on projects F and G in Section 5-3.
2. (IRR) What is the IRR of a project with the following cash flows:

C_0	C_1	C_2	C_3
−$5,000	+$2,200	+$4,650	+$3,330

3. (IRR) Now use the function to calculate the IRR on Helmsley Iron's mining project in Section 5-3. There are really two IRRs to this project (why?). How many IRRs does the function calculate?
4. (XIRR) What is the IRR of a project with the following cash flows:

C_0	C_4	C_5	C_6
−$215,000	... +$185,000	... +$85,000	... +$43,000

(All other cash flows are 0.)

Excel Exhibits

Select exhibits are set as Excel spreadsheets and have been denoted with an icon. They are also available on the book's Web site at **www.mhhe.com/bma**.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
						Product of
			Deviation	Deviation	Squared	deviations
			from	from average	deviation	from average
	Market	Anchovy Q	average	Anchovy Q	from average	returns
Month	return	return	market return	return	market return	(cols 4 × 5)
1	–8%	–11%	–10	–13	100	130
2	4	8	2	6	4	12
3	12	19	10	17	100	170
4	–6	–13	–8	–15	64	120
5	2	3	0	1	0	0
6	8	6	6	4	36	24
Average	2	2		Total	304	456
			Variance = σ_m^2 = 304/6 = 50.67			
			Covariance = σ_{im} = 456/6 = 76			
			Beta (β) = σ_{im}/σ_m^2 = 76/50.67 = 1.5			

TABLE 7.7 Calculating the variance of the market returns and the covariance between the returns on the market and those of Anchovy Queen. Beta is the ratio of the variance to the covariance (i.e., $\beta = \sigma_{im}/\sigma_m^2$).

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End-of-Chapter Features

Problem Sets

New end-of-chapter problems are included for even more hands-on practice. We have separated the questions by level of difficulty: Basic, Intermediate, and Challenge. Answers to the odd-numbered basic questions are included at the back of the book.

BASIC **PROBLEM SETS**

1. Suppose a firm uses its company cost of capital to evaluate all projects. Will it underestimate or overestimate the value of high-risk projects?
2. A company is 40% financed by risk-free debt. The interest rate is 10%, the expected market risk premium is 8%, and the beta of the company's common stock is .5. What is the company cost of capital? What is the after-tax WACC, assuming that the company pays tax at a 35% rate?
3. Look back to the top-right panel of Figure 9.2. What proportion of Amazon's returns was explained by market movements? What proportion of risk was diversifiable? How does the diversifiable risk show up in the plot? What is the range of possible errors in the estimated beta?

INTERMEDIATE

11. The total market value of the common stock of the Okefenokee Real Estate Company is $6 million, and the total value of its debt is $4 million. The treasurer estimates that the beta of the stock is currently 1.5 and that the expected risk premium on the market is 6%. The Treasury bill rate is 4%. Assume for simplicity that Okefenokee debt is risk-free and the company does not pay tax.
    a. What is the required return on Okefenokee stock?
    b. Estimate the company cost of capital.
    c. What is the discount rate for an expansion of the company's present business?
    d. Suppose the company wants to diversify into the manufacture of rose-colored spectacles. The beta of unleveraged optical manufacturers is 1.2. Estimate the required return on Okefenokee's new venture.
12. Nero Violins has the following capital structure:

CHALLENGE

23. Suppose you are valuing a future stream of high-risk (high-beta) cash *outflows*. High risk means a high discount rate. But the higher the discount rate, the less the present value. This seems to say that the higher the risk of cash outflows, the less you should worry about them! Can that be right? Should the sign of the cash flow affect the appropriate discount rate? Explain.
24. An oil company executive is considering investing $10 million in one or both of two wells: well 1 is expected to produce oil worth $3 million a year for 10 years; well 2 is expected to produce $2 million for 15 years. These are *real* (inflation-adjusted) cash flows.

Excel Problems

Most chapters contain problems, denoted by an icon, specifically linked to Excel templates that are available on the book's Web site at **www.mhhe.com/bma**.

15. A 10-year German government bond (bund) has a face value of €100 and a coupon rate of 5% paid annually. Assume that the interest rate (in euros) is equal to 6% per year. What is the bond's PV?
16. A 10-year U.S. Treasury bond with a face value of $10,000 pays a coupon of 5.5% (2.75% of face value every six months). The semiannually compounded interest rate is 5.2% (a six-month discount rate of 5.2/2 = 2.6%).
    a. What is the present value of the bond?
    b. Generate a graph or table showing how the bond's present value changes for semiannually compounded interest rates between 1% and 15%.

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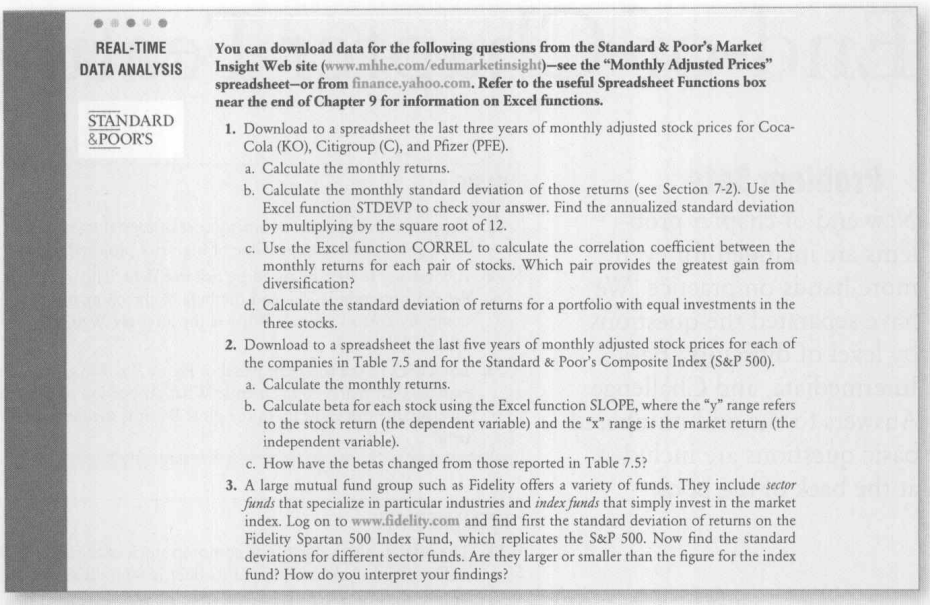
Real-Time Data Analysis Section

Featured among select chapters, this section includes Web exercises as well as Standard & Poor's questions. The Web exercises give students the opportunity to explore financial Web sites on their own to gain familiarity and apply chapter concepts. The Standard & Poor's questions directly incorporate the Educational Version of Market Insight, a service based on S&P's renowned Compustat database. These problems provide an easy method of including current, real-world data into the classroom. An access code for this S&P site is provided *free* with the purchase of a new book.



REAL-TIME DATA ANALYSIS

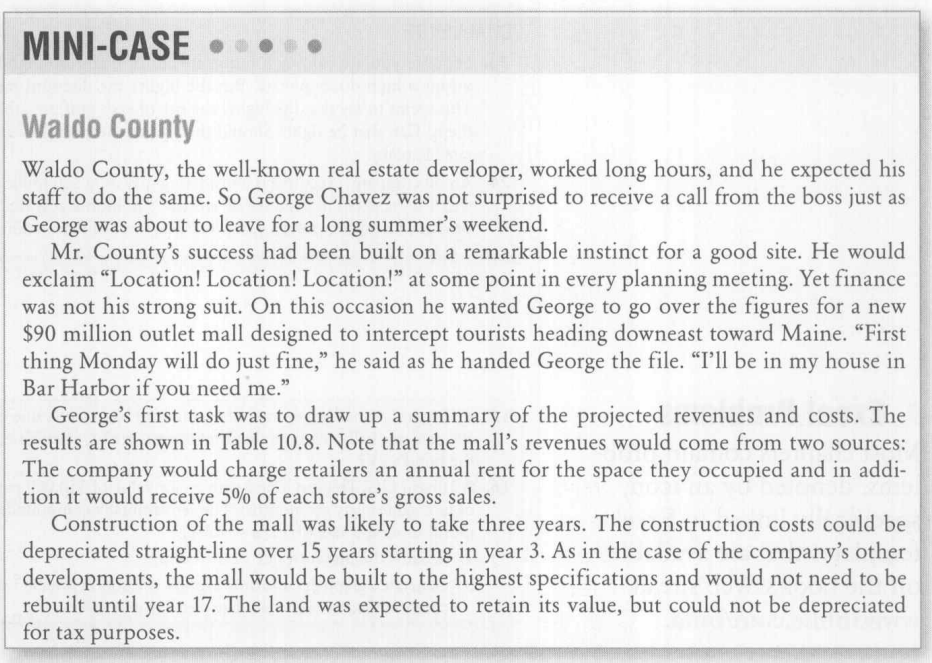
STANDARD & POOR'S

You can download data for the following questions from the Standard & Poor's Market Insight Web site (www.mhhe.com/edumarketinsight)—see the "Monthly Adjusted Prices" spreadsheet—or from finance.yahoo.com. Refer to the useful Spreadsheet Functions box near the end of Chapter 9 for information on Excel functions.

1. Download to a spreadsheet the last three years of monthly adjusted stock prices for Coca-Cola (KO), Citigroup (C), and Pfizer (PFE).
   a. Calculate the monthly returns.
   b. Calculate the monthly standard deviation of those returns (see Section 7-2). Use the Excel function STDEVP to check your answer. Find the annualized standard deviation by multiplying by the square root of 12.
   c. Use the Excel function CORREL to calculate the correlation coefficient between the monthly returns for each pair of stocks. Which pair provides the greatest gain from diversification?
   d. Calculate the standard deviation of returns for a portfolio with equal investments in the three stocks.
2. Download to a spreadsheet the last five years of monthly adjusted stock prices for each of the companies in Table 7.5 and for the Standard & Poor's Composite Index (S&P 500).
   a. Calculate the monthly returns.
   b. Calculate beta for each stock using the Excel function SLOPE, where the "y" range refers to the stock return (the dependent variable) and the "x" range is the market return (the independent variable).
   c. How have the betas changed from those reported in Table 7.5?
3. A large mutual fund group such as Fidelity offers a variety of funds. They include *sector funds* that specialize in particular industries and *index funds* that simply invest in the market index. Log on to www.fidelity.com and find first the standard deviation of returns on the Fidelity Spartan 500 Index Fund, which replicates the S&P 500. Now find the standard deviations for different sector funds. Are they larger or smaller than the figure for the index fund? How do you interpret your findings?

Mini-Cases

To enhance concepts discussed within a chapter, mini-cases are included in select chapters so students can apply their knowledge to real-world scenarios.



MINI-CASE

Waldo County

Waldo County, the well-known real estate developer, worked long hours, and he expected his staff to do the same. So George Chavez was not surprised to receive a call from the boss just as George was about to leave for a long summer's weekend.

Mr. County's success had been built on a remarkable instinct for a good site. He would exclaim "Location! Location! Location!" at some point in every planning meeting. Yet finance was not his strong suit. On this occasion he wanted George to go over the figures for a new $90 million outlet mall designed to intercept tourists heading downeast toward Maine. "First thing Monday will do just fine," he said as he handed George the file. "I'll be in my house in Bar Harbor if you need me."

George's first task was to draw up a summary of the projected revenues and costs. The results are shown in Table 10.8. Note that the mall's revenues would come from two sources: The company would charge retailers an annual rent for the space they occupied and in addition it would receive 5% of each store's gross sales.

Construction of the mall was likely to take three years. The construction costs could be depreciated straight-line over 15 years starting in year 3. As in the case of the company's other developments, the mall would be built to the highest specifications and would not need to be rebuilt until year 17. The land was expected to retain its value, but could not be depreciated for tax purposes.

Supplements

In this edition, we have gone to great lengths to ensure that our supplements are equal in quality and authority to the text itself.

FOR THE INSTRUCTOR

The following supplements are available to you via the book's Web site at **www.mhhe.com/bma** and are password protected for security. Print copies are available through your McGraw-Hill/Irwin representative.

Instructor's Manual

The Instructor's Manual was extensively revised and updated by Matthew Will of the University of Indianapolis. It contains an overview of each chapter, teaching tips, learning objectives, challenge areas, key terms, and an annotated outline that provides references to the PowerPoint slides.

Test Bank

The Test Bank, also revised by Matthew Will, has been updated to include hundreds of new multiple-choice and short answer/discussion questions based on the revisions of the authors. The level of difficulty varies, as indicated by the easy, medium, or difficult labels.

Computerized Test Bank

McGraw-Hill's EZ Test is a flexible and easy-to-use electronic testing program. The program allows you to create tests from book-specific items. It accommodates a wide range of question types and you can add your own questions. Multiple versions of the test can be created and any test can be exported for use with course management systems such as WebCT, BlackBoard, or PageOut. EZ Test Online is a new service and gives you a place to easily administer your EZ Test–created exams and quizzes online. The program is available for Windows and Macintosh environments.

PowerPoint Presentation

Matthew Will of the University of Indianapolis prepared the PowerPoint presentation, which contains exhibits, outlines, key points, and summaries in a visually stimulating collection of slides. You can edit, print, or rearrange the slides to fit the needs of your course.

Solutions Manual

ISBN 9780077316457
MHID 0077316452

The Solutions Manual, carefully revised by George Geis of the University of Virginia, contains solutions to all basic, intermediate, and challenge problems found at the end of each chapter. This supplement can be purchased by your students with your approval or can be packaged with this text at a discount. Please contact your McGraw-Hill/Irwin representative for additional information.

Finance Video Series DVD

ISBN 9780073363653
MHID 0073363650

The McGraw-Hill/Irwin Finance Video Series is a complete video library designed to be added points of discussion to your class. You will find examples of how real businesses face hot topics like mergers and acquisitions, going public, time value of money, and careers in finance.

FOR THE STUDENT

Study Guide

ISBN 9780077316471
MHID 0077316479

The Study Guide, meticulously revised by V. Sivarama Krishnan of the University of Central Oklahoma, contains useful and interesting keys to learning. It includes an introduction to each chapter, key concepts, examples, exercises and solutions, and a complete chapter summary.

Online Support

ONLINE LEARNING CENTER

www.mhhe.com/bma

Find a wealth of information online! This site contains information about the book and the authors as well as teaching and learning materials for the instructor and student, including:

- **Excel templates** There are templates for select exhibits ("live" Excel), as well as various end-of-chapter problems that have been set as Excel spreadsheets—all denoted by an icon. They correlate with

specific concepts in the text and allow students to work through financial problems and gain experience using spreadsheets. Also refer to the valuable Useful Spreadsheet Functions Boxes that are sprinkled throughout the text for some helpful prompts on working in Excel.

- **Online quizzes** These multiple-choice questions are provided as an additional testing and reinforcement tool for students. Each quiz is organized by chapter to test the specific concepts presented in that particular chapter. Immediate scoring of the quiz occurs upon submission and the correct answers are provided.
- **Standard & Poor's Educational Version of Market Insight** McGraw-Hill is proud to partner with Standard & Poor's by offering students access to the educational version of Market Insight. A passcode card is bound into new books, which gives you access to six years of financial data for over 1,000 real companies. Relevant chapters contain end-of-chapter problems that use this data to help students gain a better understanding of practical business situations.
- **Interactive FinSims** This valuable asset consists of multiple simulations of key financial topics. Ideal for students to reinforce concepts and gain additional practice to strengthen skills.

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Less Managing. More Teaching. Greater Learning.

McGraw-Hill *Connect Finance* is an online assignment and assessment solution that connects students with the tools and resources they'll need to achieve success.

McGraw-Hill *Connect Finance* helps prepare students for their future by enabling faster learning, more efficient studying, and higher retention of knowledge.

McGraw-Hill *Connect Finance* Features

Connect Finance offers a number of powerful tools and features to make managing assignments easier, so faculty can spend more time teaching. With *Connect Finance,* students can engage with their coursework anytime and anywhere, making the learning process more accessible and efficient. *Connect Finance* offers the features described here.

Simple Assignment Management

With *Connect Finance* creating assignments is easier than ever, so you can spend more time teaching and less time managing. The assignment management function enables you to:

- Create and deliver assignments easily with selectable end-of-chapter questions and test bank items.
- Streamline lesson planning, student progress reporting, and assignment grading to make classroom management more efficient than ever.
- Go paperless with the eBook and online submission and grading of student assignments.

Automatic Grading

When it comes to studying, time is precious. *Connect Finance* helps students learn more efficiently by providing feedback and practice material when they need it, where they need it. When it comes to teaching, your time also is precious. The grading function enables you to:

- Have assignments scored automatically, giving students immediate feedback on their work and side-by-side comparisons with correct answers.
- Access and review each response, manually change grades, or leave comments for students to review.
- Reinforce classroom concepts with practice tests and instant quizzes.

Instructor Library

The *Connect Finance* Instructor Library is your repository for additional resources to improve student engagement in and out of class. You can select and use any asset that enhances your lecture.

Student Study Center

The *Connect Finance* Student Study Center is the place for students to access additional resources. The Student Study Center:

- Offers students quick access to lectures, practice materials, eBooks, and more.
- Provides instant practice material and study questions, easily accessible on-the-go.
- Gives students access to the Personal Learning Plan described below.

Personal Learning Plan

The Personal Learning Plan (PLP) connects each student to the learning resources needed for success in the course. For each chapter, students:

- Take a practice test to initiate the Personal Learning Plan.

- Immediately upon completing the practice test, see how their performance compares to the chapter objectives to be achieved within each section of the chapters.
- Receive a Personal Learning Plan that recommends specific readings from the text, supplemental study material, and practice work that will improve their understanding and mastery of each learning objective.

Student Progress Tracking

Connect Finance keeps instructors informed about how each student, section, and class is performing, allowing for more productive use of lecture and office hours. The progress-tracking function enables you to:

- View scored work immediately and track individual or group performance with assignment and grade reports.
- Access an instant view of student or class performance relative to learning objectives.

Lecture Capture through Tegrity Campus

For an additional charge Lecture Capture offers new ways for students to focus on the in-class discussion, knowing they can revisit important topics later. This can be delivered through *Connect* or separately. See below for more details.

McGraw-Hill *Connect Plus Finance*

McGraw-Hill reinvents the textbook learning experience for the modern student with *Connect Plus Finance.* A seamless integration of an eBook and *Connect Finance, Connect Plus Finance* provides all of the *Connect Finance* features plus the following:

- An integrated eBook, allowing for anytime, anywhere access to the textbook.
- Dynamic links between the problems or questions you assign to your students and the location in the eBook where that problem or question is covered.
- A powerful search function to pinpoint and connect key concepts in a snap.

In short, *Connect Finance* offers you and your students powerful tools and features that optimize your time and energies, enabling you to focus on course content, teaching, and student learning. *Connect Finance* also offers a wealth of content resources for both instructors and students. This state-of-the-art, thoroughly tested system supports you in preparing students for the world that awaits.

For more information about *Connect,* please visit **www.mcgrawhillconnect.com**, or contact your local McGraw-Hill sales representative.

TEGRITY CAMPUS: LECTURES 24/7

Tegrity Campus is a service that makes class time available 24/7 by automatically capturing every lecture in a searchable format for students to review when they study and complete assignments. With a simple one-click start-and-stop process, you capture all computer screens and corresponding audio. Students can replay any part of any class with easy-to-use browser-based viewing on a PC or Mac.

Educators know that the more students can see, hear, and experience class resources, the better they learn. In fact, studies prove it. With Tegrity Campus, students quickly recall key moments by using Tegrity Campus's unique search feature. This search helps students efficiently find what they need, when they need it, across an entire semester of class recordings. Help turn all your students' study time into learning moments immediately supported by your lecture.

To learn more about Tegrity watch a two-minute Flash demo at **http://tegritycampus.mhhe.com**.

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For Customer Support, call **800-331-5094,** e-mail **hmsupport@mcgraw-hill.com**, or visit **www.mhhe.com/support**. One of our Technical Support Analysts will be able to assist you in a timely fashion.

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