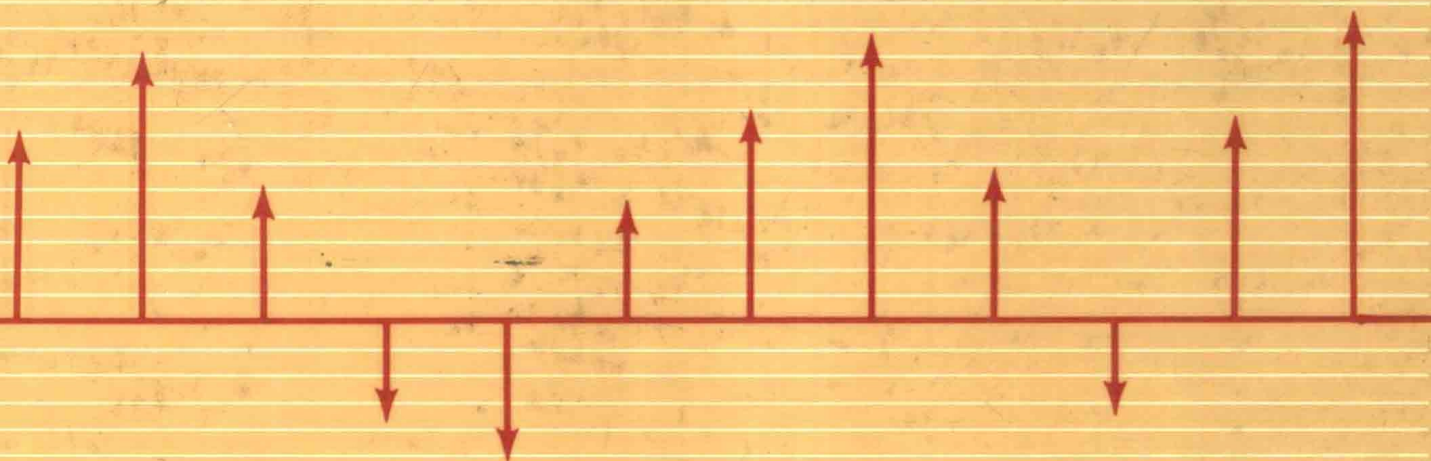


Essentials of Financial Management

George E. Pinches



ESSENTIALS OF FINANCIAL MANAGEMENT

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ESSENTIALS OF FINANCIAL MANAGEMENT

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PREFACE

Almost every day we read, hear, or see something about a financial event that affects us all—interest-rate wars among institutions when regulations change, the effects of a plant closing on a community, or dramatic merger contests among giant firms. All these events are the results of financial decision making. All levels of managers, company presidents, and government leaders make financial decisions.

The management of all the activities that bear on financial decisions is today a growing and rapidly changing field, with a body of theory and practice that is as much affected by the new leaps in technology as any other. This text focuses on the theoretical basis of financial decision making, balanced with examples and explanations of how financial decisions are arrived at in practice. The fundamentals of finance are presented early in the book so that students can apply them as they proceed through the study of financial management. While the focus is on financial management in large, profit-oriented companies, the concepts and ideas apply equally well to the individual, the small firm, the government unit, and the international organization.

The text is designed to present the essential aspects of financial management within an integrated risk/return/cash-flow framework. This approach stresses the use and importance of cash flows—their magnitude, timing, riskiness, and influence on valuation—as core concepts of finance and as the basis for financial decision making. Because all financial decisions are made in light of their impact on risk and return, the goals of maximizing the value of the firm and the risk/return tradeoff are stressed throughout.

Although the text emphasizes cash flows, rather than accounting data, as the building blocks of financial decisions, extensive coverage of the accounting process ensures that students understand the basics of accounting and that they recognize the fundamental differences between the accounting process and financial decision making. Financial planning, rather than being treated as an accounting-oriented topic, is used to tie together all the various decisions being made by a firm.

In order to relate the theories of financial decision making to the realities of the business environment, key concepts are illustrated with actual data from specific firms, as well as with data on broad trends and current developments. In addition, because many aspects of finan-

cial management have international implications, relevant international material is included in the text to give an overview of the practices, techniques, and special considerations of international finance.

The text is streamlined with all the material necessary for a thorough understanding of the essential ideas underlying financial management and decision making covered in the main body of the chapters. Special topics and relevant side issues are treated in appendixes to enable instructors to select the material they want to cover. The text's flexibility is further enhanced by the sequencing of material, which is designed to provide a logical flow of ideas as well as to be adapted to meet individual needs.

**SPECIAL
FEATURES**

Each chapter begins with an overview that highlights the major issues and ends with a summary that may be used as a chapter review. Step-by-step calculations are presented throughout the book to show how financial decisions are made. Each chapter also includes an extensive problem section that was class-tested during the preparation of the text. (Answers to odd-numbered problems are provided at the end of the text.) Key terms appear in italics in the text and are defined in a glossary at the end of the book. The treatment of cash flow as an integrating theme is reinforced by the use of the time line concept and in the extensive use of figures and tables to illustrate chapter materials.

**SUPPLE-
MENTARY
MATERIALS**

Essentials of Financial Management offers a complete supplements package that is designed to maximize student understanding and mastery of financial management, and to provide solid support for instructors so that they may concentrate on enhancing the learning experience.

**Study
guide**

An extensive *Study Guide* prepared by George E. Pinches, Robert A. Wood (Pennsylvania State University), Mary Kay Mans, and David C. Ketchum (Pennsylvania State University) supplements, explains, and extends the material in the text with these key elements:

Topical outlines stressing the main features of each chapter

Summaries of key equations in each chapter

"What To Look For" sections that discuss and elaborate on important or difficult concepts in each chapter

Completion questions that test understanding

Over 100 problems and step-by-step solutions especially designed to highlight the key analytical concepts of each chapter

**Instructor's
manual**

A complete *Instructor's Manual* prepared by George E. Pinches discusses alternative sequences for presenting text material and consists of four parts:

“Notes for Instructors,” providing supplementary teaching ideas and expanding on key concepts

Answers to all chapter questions

Complete solutions to all problems in the text

Handouts on key supplemental ideas that can be reproduced and distributed to students

**Test
bank**

A separate *Test Bank* prepared by George E. Pinches and Kathryn M. Kelm (University of Kansas) consists of true-false and multiple-choice questions, as well as problems. The true-false and multiple-choice questions will also be available on MicroTest, a microcomputerized test-generation system.

**Transparency
masters**

A set of transparency masters of key figures and tables from the text aids instructors in highlighting important material.

ACKNOWLEDGMENTS

Essentials of Financial Management has been class tested. The comments, criticisms, and encouragement given freely (and often vocally) by these students contributed in no small way to the development of this text. In addition, the following individuals provided reviews of the text: John A. Boquist, Indiana University; Philip L. Cooley, University of South Carolina; Peter A. DeVito, Bell Laboratories; Eugene F. Drzymalski, University of Wisconsin-Oshkosh; David C. Ewert, Georgia State University; Paul Malatesta, University of Washington; Verlyn D. Richards, Kansas State University; William L. Sartoris, Indiana University; Carl J. Schwendiman, Electronic Data Systems Corporation; Jaye B. Smith, Texas A & M University; Gary Tallman, Northern Arizona University; Gary Trennepohl, University of Missouri-Columbia; Jerry A. Viscione, Boston College; Robert A. Wood, Pennsylvania State University; and J. Kenton Zumwalt, University of Illinois.

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Comments, suggestions, and criticisms from users are welcomed and encouraged.

George E. Pinches

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