



Business Financial Management

SECOND

Philip L. Cooley
Peyton Foster Roden



Business Financial Management

SECOND EDITION

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The Dryden Press
Chicago | Fort Worth | San Francisco | Philadelphia
Montreal | Toronto | London | Sydney | Tokyo

Acquisitions Editor: Ann Heath
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Text and Cover Designer: Rebecca Lemna
Copy Editor: Mary Englehart
Indexer: Leoni McVey
Compositor: Waldman Graphics
Text Type: 10/12 ITC Garamond Light

Library of Congress Cataloging-in-Publication Data

Cooley, Philip L.
Business financial management / Philip L. Cooley, Peyton Foster
Roden. — 2nd ed.
p. cm.
Includes bibliographical references and index.
ISBN 0-03-032702-4
1. Corporations—Finance. 2. Business enterprises—Finance.
I. Roden, Peyton Foster. II. Title.
HG4026.C63 1991
658.15—dc20

90-20255
CIP

Printed in the United States of America
123-040-98765432

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Address orders:
The Dryden Press
Orlando, FL 32887

Several changes in this edition are spread throughout many parts of the book. Representative of these changes are the following: (1) discussions of the international dimensions of business financial management, (2) discussions of ethical behavior in business transactions, (3) several new, short case problems, (4) several new computer problems, (5) more than 250 new questions and problems, and (6) key equations presented in color to assist students with study and review.

Special Features

Business Financial Management incorporates several special features to enhance the process of learning and teaching:

- **Chapter outlines.** Each chapter begins with a topical outline to serve as a road map of the material.
- **Running glossary.** New terms are defined not only in the text but also in the margin. The running glossary helps students to learn the language of finance and to review the key terms of chapters.
- **Examples.** Each chapter includes numerous in-text examples that show step by step how to solve problems. Examples immediately follow discussions of financial models and procedures so that students can quickly see how to apply them and gain hands-on experience.
- **Box highlights.** Some 40 boxes of special-interest material add richness and real-world seasoning to the book. The boxes direct attention to three types of material:
 - *Focus on Practice* presents real-world illustrations of financial practices and shows the relevance of financial concepts and theories.
 - *International Dimensions* examines the global concepts of business financial management. In addition to Chapter 22 on international financial management, these concepts are integrated within several chapters to add the international flavor of finance.
 - *Do You Know?* presents interesting asides and financial perspectives that often differ from those in the text proper.
- **Summaries.** Each chapter concludes with summary statements that provide a crisp, succinct refresher of the chapter topics.
- **End-of-chapter material.** To reinforce understanding of the information and techniques presented, the following materials appear at the end of each chapter:
 - *Key Terms* provide in one location a review of all running-glossary terms from the chapter.
 - *Questions* stress comprehension and do not require calculations.

- *Strategy Problems* help students learn problem-solving techniques. Marginal comments accompany each problem's step-by-step solution to provide a guide, or strategy, for solving the problem. Students may then apply the strategy to other problems.
- *Problem sets* provide an extensive variety of problems requiring calculations; answers to odd-numbered problems are in Appendix A at the end of the text.
- *Computer Problems* are included in chapters that lend themselves to computer work. Selected problems have been modeled on Lotus® 1-2-3® and may be solved using the *Problem Diskette* that accompanies the book. No prior knowledge of Lotus is necessary to use the diskette.
- *Case Problems.* A case problem is included at the end of each of the following chapters: 4, 5, 9, 10, 13, 15, 19, and 21. Relatively short in length, each case requires careful analysis and the integration of preceding ideas.
- *Selected References* provide a guide to published sources containing either special applications or advanced material.
- **Small-Business Perspective.** At the beginning of each of the seven parts of the book, readers look in on two entrepreneurs operating a small business. These seven vignettes illustrate the financial challenges of starting and running a small company.
- **Readiness Test.** The readiness test at the end of Chapter 1 is fun yet challenging to the intellect. It requires students to recall ideas from previous courses and experiences and tests their ability to reason in financial terms.
- **Annual-report analysis.** The case problem in Chapter 15 includes excerpts from the 1989 Annual Report of The Coca-Cola Company. In addition to illustrating the nature of annual reports, these excerpts, along with data on PepsiCo, provide the opportunity for analysis of real-world financial statements.

Ancillary Materials

Business Financial Management is accompanied by a complete set of supplemental materials that are designed to aid learning and teaching:

- **Study Guide.** The *Study Guide*, by Irene Hammerbacher and Francis McGrath of Iona College, helps students to master the text material and gives them practice in solving problems. It includes an overview and outline of each chapter, review questions, additional strategy problems, multiple-choice questions, answers to the questions, and solutions to the problems. The *Study Guide* may be ordered separately.

- **Readings Book.** *Advances in Business Financial Management: A Collection of Readings* (Hinsdale, IL: The Dryden Press, 1990), by Philip L. Cooley, consists of 48 finance articles from 26 different sources. The articles cover a wide range of finance topics, and each article lies within the intellectual grasp of students in their first finance course. The readings book may be ordered separately.
- **Instructor's Manual.** The *Instructor's Manual* contains an outline of each chapter, notes and teaching tips, learning objectives, answers to all text questions, and step-by-step solutions to all text problems.
- **Transparencies.** Available to instructors upon adoption of the book are more than 150 transparencies of figures, tables, and step-by-step solutions to problems.
- **Test Bank.** The *Test Bank*, by Irene Hammerbacher and Francis McGrath of Iona College, includes more than 1,000 questions and problems in objective format. It is available in both printed form and on diskette for IBM (and compatibles) and in a WordPerfect format. The *Test Bank* allows the instructor to edit questions and add new ones.
- **Problem Diskette.** A diskette containing Lotus 1-2-3 templates for solving designated problems in the text is available to instructors. The diskette may be copied and distributed to students for hands-on experience in using a spreadsheet to solve financial problems. To obtain the diskette, contact your Dryden Press representative or mail in the order card found at the front of the *Instructor's Manual*.
- **Joe Spreadsheet.** A powerful financial spreadsheet, fully compatible with Lotus 1-2-3, is available packaged with the text for a small fee. This option provides each student with valuable software to solve not only the computer problems in the text but other spreadsheet problems as well. To order books accompanied with *Joe Spreadsheet*, use the following ISBN number: ISBN 0-03-055342-3.

Acknowledgments

Someone once said, "If I can see far, it is because I stand on the shoulders of giants." We feel the same way. A textbook builds on the shoulders of many previous authors, either directly or indirectly. The virtues of this book are due in large measure to these authors.

Reviewers played a key role in developing this book into a teachable instrument. The finished product is a monument to the reviewers of the first edition:

A. Frederic Banda
Charles Barngrover

Thomas Berry
Scott Besley

Rahul Bishnoi	Dilip Kare
Donald Brown	Richard Kaufman
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P. R. Chandy	Duncan Kretovich
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K. P. Hill	Robert Sweeney
Robert Hollinger	Paul Vanderheiden
Art Holt	Joseph Vinso
Jerry Hunt	John Wachowicz
Steven Isberg	Herbert Weinraub
James Jackson	Kenneth Westby
Robert Johnston	C. Don Wiggins
Fred Kaen	Howard Williams

The reviewers of the second edition provided challenging suggestions and continually pressed us to be conceptually and analytically correct and current: John Clinebell, University of Northern Colorado; Irene Hammerbacher, Iona College; Kenneth Huggins, Metropolitan State College; Hugh Hunter, Eastern Washington University; James Jackson, Oklahoma State University; Raymond Johnson, Auburn University at Montgomery; Francis McGrath, Iona College; Vivian Nazar, Ferris State University; and Gabriel Ramirez, State University of New York at Binghamton.

In addition to the reviewers, we are grateful for the work and specialized contributions of several people. For their research and writing contributions to Part Seven, *Special Topics*, we thank Michael Gombola of Drexel University, James Wansley of the University of Tennessee, and David Ricks of the University of South Carolina. For her research and writing contributions to the small-business perspectives, we thank Peggy Lambing of the University of Missouri at St. Louis. For their contributions in designing the computer exer-

cises, we thank Topan Bhattacharya of the University of Oklahoma and Robert Hartwig of Worcester State College. For his research and writing contributions to the International Dimensions boxes, we thank Martin Laurence of William Paterson College. For his research and writing contributions to the case problems, we thank Carl Hubbard of Trinity University. Finally, the accuracy of the text and the *Instructor's Manual* largely reflects the careful work of Stanley Jacobs of Central Washington University, who checked all examples, questions, and problems. We thank Gregg Dimkoff, Grand Valley State College, for his efforts in checking the accuracy of the *Test Bank*.

Our student assistants deserve special thanks for proofreading, running to the library, and taking care of odd jobs: Tracy Andrews, Mike Ashton, Erika Cooley, Jay Hartzell, Bill Matthews, Wendy Nelson, and Paulina Salazar. We remember with gratitude the assistance of our patient and cheerful secretaries: Yvonne Cortright, Gail East-erling, Aurora Molina, Kris Roberts, and Kathaleen Zuehl.

The staff at The Dryden Press has the well-earned reputation of being "First in Finance." This slogan reflects the work of competent, confident, and caring people. Ann Heath encouraged us to write the second edition. Jan Richardson and Paula Dempsey worked assiduously to coordinate the team effort. Karen Steib guided the book through production, and Mary Englehart refused to let us split an infinitive. We thank them and the many others at Dryden for helping us.

A Concluding Note

Writing this book was a labor of love—most of the time. We hope that you will be able to discern our endeavor to organize a paragraph just right, to construct a sentence with clarity, and to choose a word that hits the mark. When tempted to write for our professorial colleagues, we tried to resist. Always foremost in our minds were the target readers—students taking their first course in finance. The reaction of students to this book is the final measure of its success.

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January 1991

ABOUT THE AUTHORS

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Professor Cooley's writings on capital budgeting, capital structure, working-capital management, financial analysis, and mergers have appeared in the *Journal of Financial Research*, *American Journal of Small Business*, *Journal of Finance*, *Journal of Financial and Quantitative Analysis*, *Journal of Business*, *Financial Review*, *Journal of Risk and Insurance*, *Financial Management*, *Real Estate Appraiser and Analyst*, *Journal of Business Research*, and other publications. He is author of the monograph *How to Value Oil Jobberships for Purchase or Sale* and editor of *Advances in Business Financial Management: A Collection of Readings*. Dr. Cooley is a member of the board of directors of the Consumer Credit Counseling Service.

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