美国商学院原版教材精选系列

财务管理

原理与应用

（第11版）

Financial Management

Principles and Applications

Eleventh Edition

谢里登·蒂特曼（Sheridan Titman）
[美] 阿瑟·基翁（Arthur J.Keown） 著
约翰·马丁（John D. Martin）

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本书作者是国际非常知名的运营管理专家。本书是国际上的一本权威教材，被众多院校采用，被翻译成多种语言，深受广大师生欢迎。

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英/双语教学的成功路径与商科英文原版教材的效用

（代序）

在我国高校，用英语或双语教授专业课程（以下简称：英/双语教学）始于改革开放引进热潮，历经30年，虽发展不快，仍在缓慢推进。20世纪80年代，改革开放后留学归来的教育界学者们不仅引进了各学科先进的研究成果，也随之引进了西方高校的教材。以清华大学出版社为领军的国内出版社适时地引进了西方优秀教材的影印版，推动了一些高校开始在专业课程中开展英/双语教学。2007年以来，国家教育质量工程专设的“国家高校双语教学示范课程建设点”的评定项目被视为政府教育发展的政策风向标，正有力地推动着高校英/双语教学的发展。

但对英/双语教学的必要性，我国高校内部一直争议不断。争议首先围绕着中国人用英语教学的必要性。在公认英语是目前世界通用语言的前提下，英/双语教学的必要性取决于我国高校师生是否有必要及时汲取世界最新的知识和研究成果。答案是不言而喻的。况且英/双语教学省却了翻译过程，可以避免常见的信息减损和曲解问题。不过，信息发布者——教师的英语演讲能力和信息接收者——学生的英语解读能力不足又成为开展英/双语教学的障碍。因而常见的反对意见是，开展英/双语教学，课堂教学内容就会缩水，因为讲授者和听众都得花费精力和时间解译内容。如此看来，我国开展英/双语教学的高校教师必须应对挑战，洞察在我国现有条件下用英文原版教材开展英/双语教学的利和弊，并找到可行的扬长避短的路径。

在经济开放和全球化的大趋势推动下，我国中小学英语教学分量加重，英语普及程度逐年提高，高校新生的英语基础愈益扎实；教师的英语能力也随着师资的新陈代谢而日见增强。这一趋势无疑在为英/双语教学营造越来越有利的条件。尽管如此，不同于以英语为主要语言或官方语言的一些国家，英语在我国的普及率仍较低。在青少年中，英语的普及程度和英语应用能力还仅处于初级水平；高校中能用英语演讲的教师尚属少数，且熟练程度还有待大幅提高。这样的师生英语基础，使得英/双语教学面临巨大的挑战。

同时，在多数的中国高校课堂里，教学任务多被视为逐章讲解某本教材的内容。本土中文教材通常是400～500页的32开本，含理论框架、主要知识点、计算方法和习题，但案例和故事不在其中，多由教师在讲解时添加，以演示和诠释理论要点。迄今仍然普遍盛行的“填鸭式”、“满堂灌”的传统教学法侧重于传授知识，从多数评教指标可见，只要学生感觉教师讲得精彩、有条理、能解惑，就算教学成功。

而引进的国外教材篇幅通常较长，16开大本，500～800页。习惯于上述传统教学法和评价标准的人们自然会产生一个疑问：在有限的课时内，这么厚的教材，怎么讲得完？其实，发达国家多数高校对学生阅读量的要求远远大于我国高校（即使是中文课本和资料），名校更是如此。它们的教材不仅涵盖理论框架和基本概念，而且富含长短不一、详简各异的演示性案例、故事和大量习题，总之它便于学生自学。课堂讲解只占一半课时，其余课时常被用于师生讨论和互动。于是，教师的讲解主要是勾勒理论框架，阐释重点和难点，还需针对事先布置的阅读资料和讨论题，引导学生展开讨论。可见，大厚本的教材适合于能力培训教学法。两者相辅相成，致力于调动学生

的主动性：他们必须大量阅读和思考，才能在课堂上有上好的表现，真正成为学习的主人。结果，他们的能力获得了必要和切实的磨炼。

由此可见，英/双语教学不只是教学语言的改变，它可以达到三重效用：传授专业知识；传授英语知识；同时训练专业方法和英语的应用技能。也因此，一些非英语国家的高校不惜成本，开展英/双语教学，使用与之相配的教材。对我国高校来说，要想成功开展英/双语教学，恐怕首先需要改变传统的教育思想和教学方法。换言之，如果高校想要使教育、教学接近世界先进水准，用英文原版影印教材开展英/双语教学是有效的途径。

迄今为止，原版英文教材的缺点也很明显。鉴于发达国家的作者是以其母国为背景，多数教材不涉及中国国情。教师必须在教学中紧密结合中国国情，提供相关案例、资料和思考讨论题，适时引导师生思辨现有理论的普适性，激励师生发现和创作适合我国国情的经济学、管理学、营销学规律。在我国作者编写和出版足量的优质英文教材之前，这些额外的工作必须由开展英/双语教学的教师来承担。

古今中外，成才之士都乐于阅读和探索，而这种氛围却在当今我国的大学校园里愈见淡化。加之中国学生相对薄弱的英语基础，目前英/双语教学仍面临很大的挑战："填鸭式"的讲授与之相悖；仅靠课堂讲授和互动也很难奏效。但如能培养学生阅读和探索真理的兴趣，并营造一个全方位的孵化温床或生态环境，英/双语教学是有望成功的。根据能力培育过程的所需，这个生态环境包含师生对教育、教学的共识，好学求知的校风，富有挑战和师生互动的课堂教学，从课外讲座、项目操作到校园竞赛等第二课堂活动，便于师生交流的校园互联网等。

要做到这些，教师亟待与时俱进。随着师资的年轻化和高学历化，如今年轻教师的英语基础更好。但逆水行舟，不进则退。英语能力的进退取决于使用频率的多寡，其实英/双语教学过程既是加强英语使用、提高英语能力，也是汲取世界新知的最佳机会。不过，这一过程通常比用汉语教学的付出大得多，且因学生也需成倍地付出，英/双语教学的课程不容易像汉语教学课程那样容易在短期内获得学生的好评。因此给予英/双语教学的教师足够的激励成为生态环境的首要组成部分；缺乏对教师的足够激励，上述英/双语教学的生态环境就无法营造。

诚然，在教育体制和环境不够理想的情况下，教师和学生仍然有个人自训和奋斗的条件。英语原版教材影印版在我国的出版和更新就是对英/双语教学的及时支持。清华大学出版社近期又有一批英文原版影印教材出版，相信必将更进一步推动英/双语教学的发展。如今，已有一些本土高校的教师与英语国家的教师合著英文教材；在可见的将来，还会有中国教师编写发行到世界各地的英文教材。总之，及时用好英文原版影印教材，编写优质的英文教材是我国高校教师的历史责任。

愿英/双语教学的师资队伍愈益壮大，愿英/双语教学更加有力地推动我国教学方法与国际接轨，愿我国高校各级学生在英/双语教学中受益良多，茁壮成长！

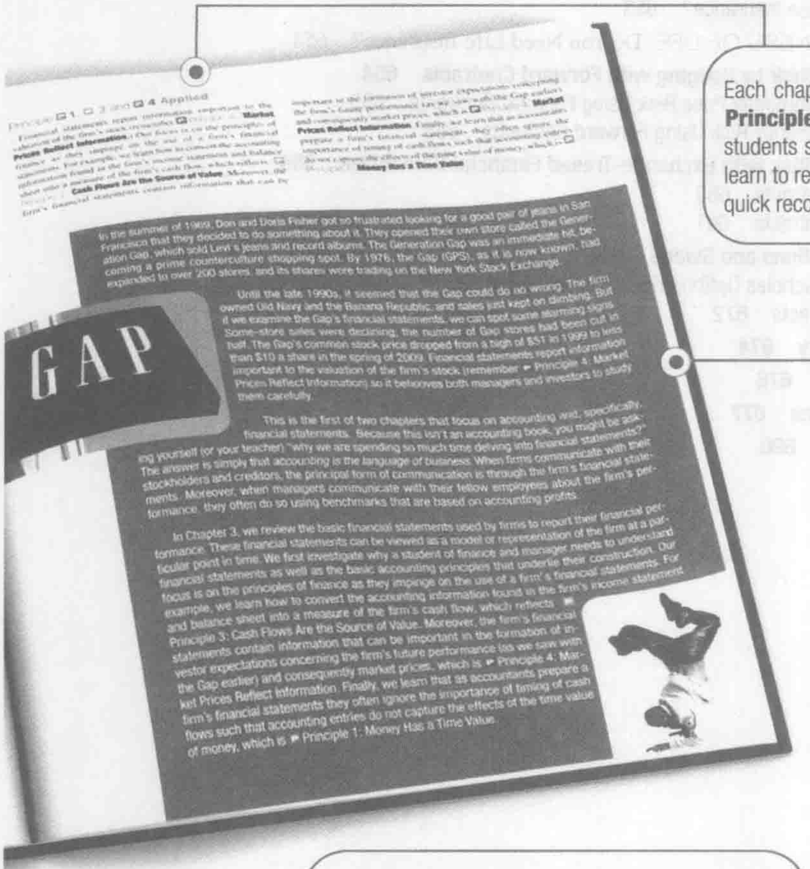
对外经济贸易大学
傅慧芬

Teaching Students the

Logic of Finance

The Four Principles of Finance

Many finance books only show students the mechanics of finance problem solving, but students learn better when given the intuition behind complex concepts. *Financial Management* shows students the reasoning behind financial decisions and connects all topics in the book to four key recurring principles—the **Four Principles of Finance.** P Principle 1, P Principle 2, P Principle 3, P Principle 4



In the summer of 1969, Don and Doris Fisher got so frustrated looking for a good pair of jeans in San Francisco that they decided to do something about it. They opened their own store called the Generation Gap, which sold Levi's jeans and record albums. The Generation Gap was an immediate hit, becoming a prime counterculture shopping spot. By 1976, the Gap (GPS), as it is now known, had expanded to over 200 stores, and its shares were trading on the New York Stock Exchange.

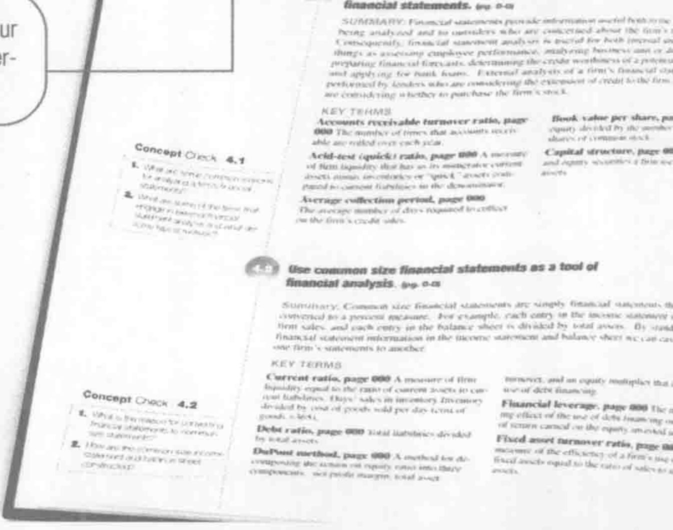
Until the late 1990s, it seemed that the Gap could do no wrong. The firm owned Old Navy and the Banana Republic, and sales just kept on climbing. But if we examine the Gap's financial statements, we can spot some alarming signs. Same-store sales were declining, the number of Gap stores had been cut in half. The Gap's common stock price dropped from a high of $51 in 1999 to less than $10 a share in the spring of 2009. Financial statements report information important to the valuation of the firm's stock (remember ➨ Principle 4: Market Prices Reflect Information) so it behooves both managers and investors to study them carefully.

This is the first of two chapters that focus on accounting and, specifically, financial statements. Because this isn't an accounting book, you might be asking yourself (or your teacher) "why we are spending so much time delving into financial statements?" The answer is simply that accounting is the language of business. When firms communicate with their stockholders and creditors, the principal form of communication is through the firm's financial statements. Moreover, when managers communicate with their fellow employees about the firm's performance, they often do so using benchmarks that are based on accounting profits.

In Chapter 3, we review the basic financial statements used by firms to report their financial performance. These financial statements can be viewed as a model or representation of the firm at a particular point in time. We first investigate why a student of finance and manager needs to understand financial statements as well as the basic accounting principles that underlie their construction. Our focus is on the principles of finance as they impinge on the use of a firm's financial statements. For example, we learn how to convert the accounting information found in the firm's income statement and balance sheet into a measure of the firm's cash flow, which reflects ➨ Principle 3: Cash Flows Are the Source of Value. Moreover, the firm's financial statements contain information that can be important in the formation of investor expectations concerning the firm's future performance (as we saw with the Gap earlier) and consequently market prices, which is ➨ Principle 4: Market Prices Reflect Information. Finally, we learn that as accountants prepare a firm's financial statements they often ignore the importance of timing of cash flows such that accounting entries do not capture the effects of the time value of money, which is ➨ Principle 1: Money Has a Time Value.

Each chapter opens with a helpful preview of the **Four Principles** that are illustrated in the coming chapter, so students see the underlying and connecting themes and learn to recognize patterns. Principles are color-coded for quick recognition.

The chapter-opening vignette provides a **real-world example** of the Four Principles applied in the chapter, many times reinforcing the rule by showing how "forgetting" a Principle might lead to financial troubles.



Principle's Applied

Chapter Summary

Explain what we can learn by analyzing a firm's financial statements.

Use common size financial statements as a tool of financial analysis.

Each chapter-concluding **Summary** reviews Four Principles of Finance in context for a deeper understanding and retention of chapter concepts.

Within the chapter, the authors draw on the Four Principles to illustrate concepts and explain the rationale behind financial decision-making. Look For: P, P, P, P

P Principle 1: **Money Has a Time Value**

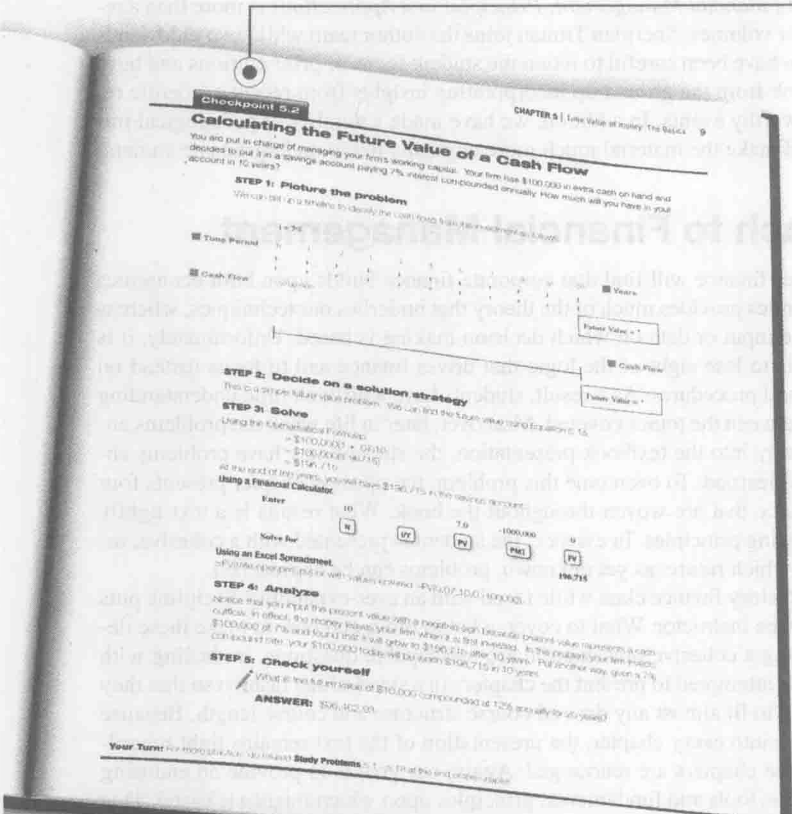
P Principle 2: **There Is a Risk-Return Tradeoff**

P Principle 3: **Cash Flows Are the Source of Value**

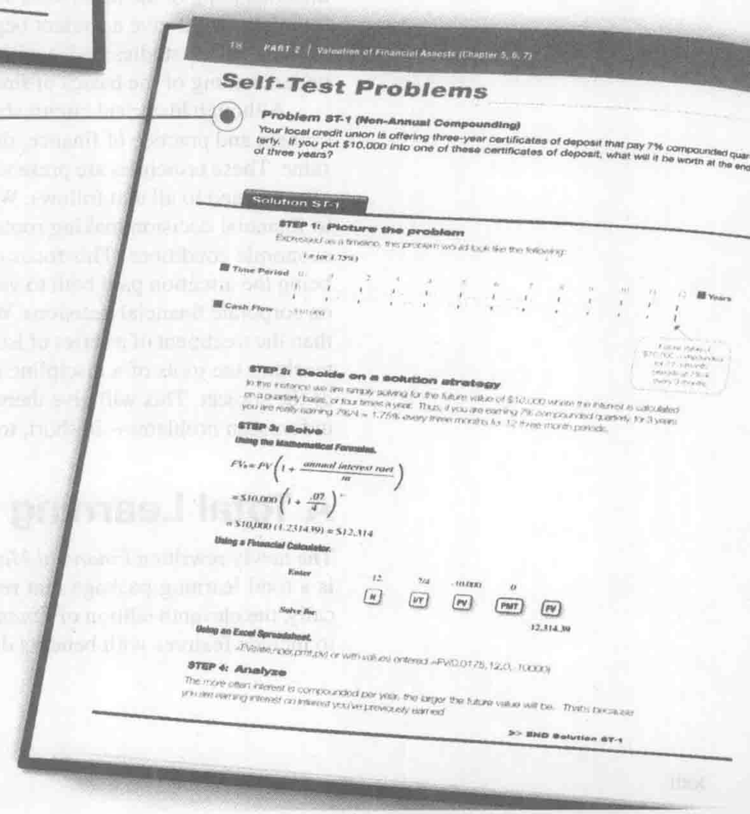
P Principle 4: **Market Prices Reflect Information**

Tools for Developing Study Skills

To be successful, finance students need hands-on practice opportunities that help them go beyond rote memorization of formulas to a true understanding of the dynamics of solving finance problems.



Checkpoints model a consistent problem-solving technique that walks through each problem in 5 steps, including an analysis of the solution reached. Each Checkpoint concludes with an additional practice problem with solution on the same topic so students can test their mastery of the problem-solving approach. Then, students can take their knowledge to the test by completing the linked end-of-chapter problem(s).



Self-Test Problems provide an additional opportunity for hands-on practice following the book's hallmark step-by-step problem-solving model.

Preface

The eleventh edition of *Financial Management: Principles and Applications* is more than a revision of its predecessor volumes. Sheridan Titman joins the author team while two old friends have stepped down. We have been careful to retain the student focus of prior editions and have rewritten the entire book from the ground up incorporating insights from recent academic research as well as noteworthy events. In addition, we have made a number of pedagogical improvements that should make the material much more engaging to the undergraduate student.

Our Approach to Financial Management

The first-time student of finance will find that corporate finance builds upon both economics and accounting. Economics provides much of the theory that underlies our techniques, whereas accounting provides the input or data on which decision making is based. Unfortunately, it is all too easy for students to lose sight of the logic that drives finance and to focus instead on memorizing formulas and procedures. As a result, students have a difficult time understanding the interrelationships between the topics covered. Moreover, later in life when the problems encountered do not fit neatly into the textbook presentation, the student may have problems abstracting from what was learned. To overcome this problem, the opening chapter presents four basic principles of finance that are woven throughout the book. What results is a text tightly bound around these guiding principles. In essence, the student is presented with a cohesive, interrelated subject from which future, as yet unknown, problems can be approached.

Teaching an introductory finance class while faced with an ever-expanding discipline puts additional pressures on the instructor. What to cover, what to omit, and how to make these decisions while maintaining a cohesive presentation are inescapable questions. In dealing with these questions, we have attempted to present the chapters in a stand-alone fashion so that they can easily be rearranged to fit almost any desired course structure and course length. Because the principles are woven into every chapter, the presentation of the text remains tight regardless of whether or not the chapters are rearranged. Again, our goal is to provide an enduring understanding of the basic tools and fundamental principles upon which finance is based. This foundation will give a student beginning his or her studies in finance a strong base on which to build future studies and it will give the student who only takes one finance class a lasting understanding of the basics of finance.

Although historical circumstances continue to serve as the driving force behind the development and practice of finance, the underlying principles that guide our discipline remain the same. These principles are presented in an intuitively appealing manner in Chapter 1 and thereafter are tied to all that follows. With a focus upon the big picture, we provide an introduction to financial decision making rooted in current financial theory and the current state of world economic conditions. This focus can be seen in a number of ways, perhaps the most obvious being the attention paid both to valuation and to the capital markets, as well as their influence on corporate financial decisions. What results is an introductory treatment of a discipline rather than the treatment of a series of isolated finance problems. The goal of this text is to go beyond teaching the tools of a discipline or a trade and help students gain a complete understanding of the subject. This will give them the ability to apply what they have learned to new and yet unforeseen problems—in short, to educate students in finance.

A Total Learning Package

The newly rewritten *Financial Management* is not simply another introductory finance text. It is a total learning package that reflects the vitality of an ever-expanding discipline. Specifically, the eleventh edition of *Financial Management: Principles and Applications* was revised to include features with benefits designed to address seven key criteria:

Criteria	Features and Benefits
1. Finance books often show the mechanics of finance but do not present the intuition.	• The 11th edition utilizes four key principles to help students understand financial management so that they can focus on the intuition behind the mechanics of solving problems.
2. Students learn best when they are actively engaged.	• A five-step problem solving technique is used in fully worked-out examples called Checkpoints. These Checkpoints give students an opportunity to pause and test their comprehension of the key quantitative concepts as they are presented. The fifth step is a practice problem ("Check Yourself") for students to try out a similar problem on their own. • Each chapter section concludes with a set of review questions ("Concept Check") to test mastery of the concepts.
3. Student understanding and motivation are improved when concepts are applied to topics that have relevance to their lives.	• The feature box "The Business of Life" links important finance concepts to personal finance matters of high interest to students. • The feature box "Regardless of Your Major" brings in examples from all majors in the business school so that students can see the applicability of finance topics to their own chosen profession. • The feature box "Finance in a Flat World" highlights international examples of corporate finance concepts. • End-of-chapter questions are linked to these feature boxes to ensure that students have the opportunity to actively engage with the ideas presented.
4. An undergraduate textbook should provide meaningful pedagogical aids to ensure student comprehension and retention.	• Each pedagogical feature in the chapter has significance and relevance to the chapter topics, and students are held accountable for the information therein: • Designated end-of-chapter problems key off the examples used in the chapter-opening vignettes and in the in-chapter feature boxes. • Company scenarios used in chapter-opening vignettes are woven into the chapter body itself. • The end-of-chapter problems are labeled by the major chapter section heads to guide students to the relevant chapter content.
5. Students often struggle with the mathematical rigor of this course and need an accessible presentation of the mathematics.	• We minimize the use of formulas when we can spell things out in plain English. • We use a five-step procedure in our problem examples (called Checkpoints) that begins by visualizing the problem graphically, describes a solution methodology, lays out all the necessary steps in the solution, and then interprets the solution by analyzing the underlying content of the problem situation. • Financial management is a problem-solving course so we have lots of worked-out examples and have sorted the end-of-chapter materials by major chapter section to guide the student to the relevant segment of the chapter. • Figures are enhanced with notes and "talking boxes" that step students through the graphs and highlight key points.
6. Professors find assigning and grading homework too time consuming.	• MyFinanceLab handles the grading. • MyFinanceLab allows instructors to create and assign tests, quizzes, or graded assignments with ease.
7. Students often miss the big picture, viewing finance as a presentation of several loosely connected topics.	• The opening chapter presents four underlying principles of finance that serve as a springboard for the chapters and topics that follow. In essence, the student is presented with a cohesive, interrelated perspective from which future problems can be approached. • The core of finance involves trying to assess the valuation consequences of business decisions in a wide variety of situations. Unfortunately, students often become so enmeshed in the details of a business problem that they have difficulty identifying the valuation consequences of its choices. To give students a guide for their analysis we use four guiding principles that underlie the valuation of any investment. • With a focus on the big picture, we provide an introduction to financial decision making rooted in current financial theory and in the current state of world economic conditions. What results is an introductory treatment of a discipline rather than the treatment of a series of isolated problems that face the financial manager. The goal of this text is not merely to teach the tools of a discipline or trade but also to enable students to abstract what is learned to new and yet unforeseen problems—in short, to educate the student in finance.

Learning Aids In the Text

NEW! An Organizational Framework: The Four Principles of Finance In this edition we have reduced the list of principles of finance down to four basic principles: Money Has a Time Value; There Is a Risk-Return Tradeoff; Cash Flows Are the Source of Value; and Market Prices Reflect Information. These four principles, which represent the economic theory that makes up the foundation of financial decision making, are woven throughout the chapters of the book and provide the basis for focusing the reader on understanding the economic intuition rather than just the mechanics of solving problems. They will be integrated throughout the text in the following ways:

- Introduced in Chapter 1 using examples that students can relate to personally.
- Revisited in the chapter openers with reference to their application to each chapter's content.
- Specific reference is made throughout the text where the principles come to bear on the discussion.

A Focus on Valuation

Although many professors and instructors make valuation the central theme of their course, students often lose sight of this focus when reading their text. We have revised this edition to reinforce this focus in the content and organization of our text in some very concrete ways, i.e.,

- First, as we mentioned earlier, we build our discussion around four finance principles that provide the foundation for the valuation of any investment.
- Second, new topics are introduced in the context of "what is the value proposition?" and "how is the value of the enterprise affected?"

NEW! A Multi-Step Approach to Problem-Solving and Analysis As anyone who has taught the core undergraduate finance course knows, there is a wide range of math comprehension and skill. Students who do not have the math skills needed to master the subject end up memorizing formulas rather than focusing on the analysis of business decisions using math as a tool. We address this problem both in terms of text content and pedagogy.

- First, we present math only as a tool to help us analyze problems, and only when necessary. We do not present math for its own sake.
- Second, finance is an analytical subject and requires that students be able to solve problems. To help with this process, numbered chapter examples called "Checkpoints" appear throughout the book. Each of these examples follows a very detailed and multi-step approach to problem solving that helps students develop their own problem-solving skills.
  1. **Step 1: Picture the problem.** For example, if the problem involves a cash flow, we will first sketch the timeline. This step also entails writing down everything you know about the problem, which includes any relationships such as what fraction of the cash flow is distributed to each of the parties involved and when it is to be received or paid.
  2. **Step 2: Decide on a solution strategy.** For example, what is the appropriate formula to apply? How can a calculator or spreadsheet be used to "crunch the numbers"?
  3. **Step 3: Solve.** Here we provide a completely worked out step-by-step solution. We first present a description of the solution in prose and then a corresponding mathematical implementation.
  4. **Step 4: Analyze.** We end each solution with an analysis of what the solution means. This emphasizes the point that problem solving is about analysis and decision making. Moreover, at this step we emphasize the fact the decisions are often based on incomplete information which requires the exercise of managerial judgment, a fact of life that is often learned on the job.
  5. **Step 5: Check yourself.** Immediately following the presentation of each new problem type we include a practice problem that gives the student the opportunity to practice the type of calculation used in the example.

NEW! Content-Enriched Tables and Figures Students today are visual learners. They are used to scanning Internet sites to learn at a glance without the need to ferret out the meaning of a printed page. Rather than see this as a negative, we think, instead, students (and we) are all the beneficiaries of a media revolution that allows us to learn quickly and easily using graphical design and interactive software. Textbooks have been slow to respond to this new way of absorbing information. In this text, the key elements of each chapter in the book can quite literally be gleaned (reviewed) from the chapter tables, figures, and examples. This means that all tables and figures are "content enriched". They are captioned, labeled in detail, and carefully linked so as to make them useful as a standalone tool for reviewing the chapter content.

NEW! *Business of Life* boxes apply the chapter concepts to personal financial problems that students encounter in their daily lives.

NEW! *Finance in a Flat World* boxes demonstrate how the chapter content applies to international business.

NEW! Figures include floating call-outs with descriptive annotations designed to highlight key points in the figures and facilitate student learning.

NEW! Figure and Table captions: Figures and Tables have detailed captions describing the objective of the figure or table and necessary background information so that its content can be easily understood. This allows students to review the chapter content by scanning the figures and tables directly.

NEW! Equations are written out in plain English with minimal use of acronyms and abbreviations.

NEW! Finance spreadsheets and calculators. The use of financial spreadsheets and calculators has been integrated throughout the text. Thus students have access to both methods of problem solving. An appendix is provided which guides students through the use of both the HP and TI financial calculators. Excel files are available for worked examples and end-of-chapter solutions.

NEW! Expanded use of real-world examples. We provide ticker symbols in parentheses following the names of real companies throughout the text. This makes it possible for students to easily identify when the example deals with an actual company.

NEW! Chapter summaries have been rewritten and are organized around the chapter objectives.

Study Questions: Review questions on the main concepts in the chapter are listed in the order in which the materials were discussed in the chapter for easy student reference.

Self-Test Problems: Study problems with worked out solutions follow the step-by-step procedure models in the in-chapter Checkpoints.

NEW! Study Problems: Study problems are organized by chapter section so that both the instructor and student can readily align text and problem materials.

New to This Edition

Every chapter in the eleventh edition of *Financial Management: Principles and Applications* has been completely rewritten. The following list highlights some of the important changes that were made in each of the book's 20 chapters:

- **Chapter 1:** The opening chapter has been completely rewritten to begin with an overview of finance, examining what it is and the value students will gain from its study. It then examines different organizational forms and details how finance fits into the firm's organizational structure. From there, the goal of the firm, the role of ethics and trust in finance, and agency considerations are explored. Finally, the four basic principles of finance—Money Has a Time Value, There Is a Risk-Return Tradeoff, Cash Flows Are the Source of Value, and Markets Reflect Information—are presented.

- **Chapter 2:** This chapter was streamlined to present the student with need-to-know material related to the financial marketplace and the securities markets. It presents increased emphasis on how the securities markets bring corporations and investors together. It also provides a brief introduction to stocks and bonds, along with a clear presentation of how to read stock price quotes, thereby allowing the instructor to discuss current events in the financial markets as the course proceeds.
- **Chapter 3:** We have taken care to explain the need for reviewing a firm's accounting statements and focus on the three primary statements used for financial analysis: the income statement, balance sheet, and statement of cash flow.
- **Chapter 4:** We continue to use the newly developed example financial statements from Chapter 3 to illustrate financial statement analysis. This chapter emphasizes the importance of understanding statement content, not just calculating financial ratios.
- **Chapter 5:** Because of both the importance of the time value of money and the difficulties that many students have in mastering material that is mathematical in nature, the discussion of the time value of money has been broken down into two chapters—Chapters 5 and 6. Chapter 5 examines single cash flows, calculating future and present value in addition to non-annual compounding and equivalent annual rates. In this edition, we place an increased emphasis on the use of timelines to help students better visualize time value of money problems.
- **Chapter 6:** Chapter 6 picks up where Chapter 5 ends, examining ordinary annuities, annuities due, amortizing loans, level perpetuities, and growing perpetuities. Just as in Chapter 5, there is an increased emphasis on the use of timelines, allowing the student to visualize the movement of money over time.
- **Chapter 7:** This is an entirely new chapter written for this edition. We use graphics extensively to illustrate the history of financial market investment returns and discuss the role of market efficiency in driving the relationship between risk and return.
- **Chapter 8:** The rudiments of portfolio risk and return are used to develop the Capital Asset Pricing Model in a simple and intuitive way.
- **Chapter 9:** This chapter examines bond valuation and interest rates, first describing basic bond characteristic, then looking at how bonds are valued by discounting future cash flows. From there, four key bond valuation principles are introduced, followed by a description of different types of bonds and a look at how interest rates are determined. Throughout this chapter there is an increased emphasis placed on visual presentation of material as well as a step-by-step approach to problem solving.
- **Chapter 10:** The presentation of stock valuation focuses on an intuitive approach, using mathematics only when necessary. For example, a simple three-step procedure is presented for valuing common stock after which we take an intuitive look at what causes stock prices to go up and down.
- **Chapter 11:** This is the first of three chapters that focus on the evaluation of capital investments. This chapter develops the criteria typically used to evaluate whether to invest, including net present value, profitability index, internal rate of return, modified internal rate of return, payback, and discounted payback.
- **Chapter 12:** Estimating and analyzing an investment proposal's cash flows is at the very heart of capital budgeting and this chapter is devoted exclusively to the subject. We focus first on relevant cash flows which are incremental to the investment project and then estimate free cash flows. In addition to evaluating cash flows for independent investment proposals, we also consider replacement investment cash flows.
- **Chapter 13:** In this edition we have moved the discussion of break-even analysis from the leverage chapter to the risk analysis and project evaluation chapter. We have also expanded our discussion of sensitivity analysis and real options in capital budgeting.

- **Chapter 14:** In this chapter we present a three-step procedure for estimating a firm's WACC. The use of the three-step approach takes something that students might find complicated and makes it much more manageable and intuitive in nature. We also examine the pros and cons of the use of the dividend growth model versus the capital asset pricing model, thereby providing the student with insights into the difficulties and potential pitfalls in estimating a firm's WACC.

- **Chapter 15:** The approach we take to capital structure policy is very pragmatic, beginning with an overview of how firms actually finance their investments. We then provide an intuitive review of capital structure theory before discussing practical tools used to make capital structure decisions.

- **Chapter 16:** Just as with capital structure policy we begin our dividend policy discussion by looking at how firms distribute cash to their stockholders. Next we provide an intuitive review of why dividend policy matters to investors before describing the typical cash distribution practices used by firms.

- **Chapter 17:** We follow a very direct and practical approach to the discussion of financial planning that begins with a three-step procedure. Finally we illustrate the use of the cash budget as a tool for organizing a firm's planned sources and expenditures of cash over a short planning horizon.

- **Chapter 18:** The importance of a firm's efforts to manage its working capital is often overlooked so we open this chapter with the story of Dell (DELL) and its revolutionary working capital policies that provide the financial fuel for its extraordinary growth. We then discuss working capital policy by focusing on the costs and benefits derived from investing in current assets and using short-term sources of financing.

- **Chapter 19:** This chapter was revised and updated to reflect changes in exchange rates and in the global financial markets in general. In addition, the presentation was simplified in order to make it more accessible to the student.

- **Chapter 20:** Owing to the fast pace of changes in corporate risk management, this chapter was completely rewritten to reflect the current state of corporate practice. It begins with the presentation of a unique five-step corporate risk managment strategy as follows: identify and understand the firm's major risks, decide which types of risks to keep and which to transfer, decide how much risk to assume, incorporate risk into all the firm's decisions and processes, and finally, monitor and manage the risks the firm assumes. From there the chapter looks at managing risk with insurance contracts, forward contracts and exchange-traded financial derivatives, and closes with a look at options and swaps. Much of the presentation is done graphically to help provide the student with an intuitive understanding of risk management.

FOR INSTRUCTORS

- **Downloadable Supplements** These features allow instructors to access the book's PowerPoint presentations and Instructor's Manual.

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简明目录

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