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Eiteman Stonehill Moffett

Multinational Business Finance

SIXTH EDITION

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Preface

As the field of international finance has evolved, so has the content of *Multinational Business Finance*. In this sixth edition we continue to identify three major trends and themes that differentiate international financial management from its domestic counterpart.

As in previous editions, we perceive the multinational firm to be a unique institution that acts as a catalyst and facilitator of international trade and as an important producer and distributor in host countries where its affiliates are located. The success of a multinational firm continues to be dependent on its ability to recognize and benefit from imperfections in national markets for products, factors of production, and financial assets.

Also carried over from earlier editions is the theme that volatile exchange rates may increase risk, but they also create great opportunities for both investors and firms to profit, given a proper understanding of exchange-risk management.

The sixth edition continues to recognize the increasing importance of global integration of money and capital markets, a trend that is creating expanded opportunities for both investors and organizations that need to raise capital. Although global integration of financial markets removes some market imperfections, which impede the flow of capital internationally, excellent opportunities continue to exist for investors to increase their returns while lowering their risks through international portfolio diversification and for firms to lower their cost of capital by sourcing it internationally.

NEW TO THE SIXTH EDITION

The sixth edition of *Multinational Business Finance* has been revised to reflect changes in the field of international finance occurring since the end of 1988. In particular:

- We have added separate chapters on sourcing debt internationally (Chapter 11), and sourcing equity internationally (Chapter 12).
- We have combined and expanded our discussion of forecasting and parity conditions (Chapter 6).
- Corporate strategy and direct foreign investment has been completely revised (Chapter 15).
- Certain topics have been given expanded coverage due to their current importance.
 1. The financial implications of the Single European Market and the possibility of a single European currency have been expanded in Chapter 2.
 2. The coverage of swaps has been expanded in Chapter 11.

3. Corporate strategy with respect to mode of entry into foreign markets has been revised to focus on strategic alliances and takeovers as well as the more traditional strategies in Chapter 15.
- A brand-new feature of the sixth edition is the inclusion at the end of half of the chapters of an *anecdote*, an *illustrative case*, or a proprietary *decision case*.
 - Another new feature is the expansion and revision of the end-of-chapter problems to feature spreadsheet applications. A disk containing all spreadsheet templates comes with the *Instructor's Manual*.

AUDIENCE

The sixth edition of *Multinational Business Finance* is appropriate for the same audiences as the first five editions. Earlier editions have been widely used in international financial management courses in university degree programs, university-run executive programs, and company management development programs.

Readers will find *Multinational Business Finance* most meaningful if they have the background knowledge or experience equivalent to a basic finance course. A previous course in international economics is desirable, but the text is designed to cover sufficient economic material so that a separate background is not essential.

ACKNOWLEDGMENTS

The authors are very grateful to the numerous persons who have provided critical comments and suggestions to improve both the current and earlier editions of this book. The sixth edition has benefited immensely from comments we received on the fifth edition, both from formal reviews and from colleagues' replies to a questionnaire. We take this opportunity to thank the following respondents for their detailed comments and answers:

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