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清华大学经管学院

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# 投 资 学 精 要

兹维·博迪 亚历克斯·凯恩 艾伦 J. 马柯斯 / 著

# Essentials of Investments

Zvi Bodie Alex Kane Alan J. Marcus

THIRD EDITION

英文版·第③版



机械工业出版社



McGraw-Hill





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# 投资学精要

(英文版·第3版)

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# 序 言 1

此次首批专为中国影印的系列教材直接配合中国工商管理硕士课程的各门必修课程，而且是由加拿大西安大略大学毅伟管理学院的任课教授们专门参予选择的。

毅伟管理学院是加拿大西安大略大学（UWO）所属的一所专业学院，而西安大略大学是加拿大历史最悠久的大学之一。毅伟管理学院的本校在安大略省伦敦市，同时是多伦多的密西沙加设有分校，而且最近在香港也建立了分校。

历史地看，毅伟管理学院一直是管理学开发领域的领导者，现将部分成就列后，标示毅伟管理学院日新月异的发展：

- 1922年，创立了加拿大第一个培养本科生的商学系。
- 1932年，开始出版杂志《毅伟商学季刊》。该杂志发行到25个国家，发行量多达10 000册，深受学术界和管理界读者的喜爱。
- 1948年，在加拿大首次设立行政管理人员培训计划以及工商管理硕士课程。
- 1961年，首创了加拿大的第一个商学博士课程。
- 1974年，被联邦政府正式指定为加拿大第一个（现在已发展到8个）国际商业研究中心（CIBS，即美国CIBERS的前身），联邦外交部对该中心持续提供财政支援。
- 1975年，毅伟管理学院成立了自己的出版社。该部门目前拥有2 000个加拿大的案例，并成为哈佛案例的加拿大资料交换所。1998年，毅伟管理学院的案例已分销至20多个国家的100多所学院和100多家企业。毅伟管理学院是全世界管理学案例研究的第二大制作者，每年向校外读者分销案例教材超过100万册。
- 1978年开始实施第一项国际学生交换计划，目前该交换计划已增至20余项。
- 1984年毅伟管理学院在加拿大联邦政府的支持下，在伦敦市组建国家管理学研究与开发中心的过程中发挥了主导作用。
- 1984年，是毅伟管理学院和清华大学连续合作开始的第一年，合作内容包括：交换访问学者、教材编写与出版以及各种培训活动。
- 1992年，毅伟管理学院被选为主导性的国际商学刊物，即《国际商学研究杂志》在1993年至1997年间的编辑总部。
- 1993年，《加拿大商学》杂志根据由各大聘用公司首席执行官、人力资源管理人员和求职顾问等人士组成的所有评选组得出的全方位评比结果，将毅伟管理学院列为加拿大培养工商管理硕士的最佳学院，并且这一结论被逐年的评比一再肯定。1994年《亚洲企业》杂志又将毅伟管理学院列于亚洲公认的25所世界最佳商学院的行列中。
- 1997年，《国际管理学杂志》将毅伟管理学院评为国际战略管理学文献的主要贡献者，并领先于哈佛大学与西北大学凯洛格商学院。《商业周刊》将毅伟管理学院列为全世界最佳国际商学院之一，和欧洲管理学院（INSEAD）及伦敦商学院（LBS）并列，而且《美国新闻与世界报导》将毅伟管理学院选为全世界在行政管理人员培训

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计划方面最佳的 15 所商业学院之一。

至 1998 年，毅伟管理学院拥有 65 名全职教授，他们每年负责教授 600 名普通课程的和行政管理人员培训课程的工商管理硕士生、300 名本科生、40 名博士生，以及范围广泛的非学位课程。

负责挑选这批 MBA 通用教材的教师们均具有著名商学院（如：哈佛、沃顿、密西根、麻省理工学院和毅伟管理学院等）的博士学位，每位教授都对大批现有教材进行了仔细筛选，确保为中国市场提供最佳教材。相信您会对他们的选择表示满意。

加拿大西安大略大学毅伟管理学院

# PREFACE 1

The texts in this initial series of books were selected to directly correspond to each of the required courses in China's MBA programs. The books were selected for reprinting by faculty members at the Ivey Business School, The University of Western Ontario, Canada.

The Richard Ivey School of Business is a professional School within The University of Western Ontario (UWO), one of Canada's oldest universities. Although Ivey is based in London, Ontario, it also has campuses in Mississauga (Toronto), Ontario and most recently, in Hong Kong.

Historically the School has been a leader in management development. A partial list of achievements follows.

- In 1922, the first undergraduate business department in Canada was established.
- In 1932, the school began to publish its own journal. Known as *Ivey Business Quarterly*, it reaches out to both academic and management audiences and enjoys a circulation of 10 000 in 25 countries.
- In 1948, Canada's first executive development program and first MBA program were established.
- In 1961, Canada's first Ph. D. program in business was introduced.
- In 1974, official designation was received by the Federal Government as Canada's first Centre for International Business Studies (CIBS).
- In 1975, Ivey opened its own case and publications office. This office now holds an inventory of 2 000 cases. In 1998, Ivey cases were being distributed to over 100 teaching institutions and 100 corporations in over 20 countries. Ivey is the second largest producer of management case studies in the world (and the largest producer of Asian cases), with over 1 000 000 copies studied each year by people outside the university.
- In 1978, commencement of its first international student exchange program took place. Over twenty such exchange programs are now in place.
- In 1984, the School took a leading role in establishing the National Centre for Management Research and Development in London with support from the Canadian Federal Government.
- 1984 also marked the beginning of a continuing linkage with Tsinghua University, one

which has involved visiting scholars, materials development and publication, and various training initiatives.

- In 1992, Ivey was selected to be the editorial home for the 1993-1997 period for the *Journal of International Business Studies*, the leading international business journal.
- In 1993, *Canadian Business* magazine's survey rated Ivey as the top MBA School in Canada, according to all groups: CEOs, human resources executives, and placement consultants. This ranking has been re-confirmed every year. In 1994, *Asia, Inc.* rated Ivey among the World's Top 25 Business Schools for Asians.
- In 1997, the *Journal of International Management* named Ivey the world's leading contributor in the previous decade to the international strategic management literature, ahead of Harvard & Kellogg. *Business Week* magazine ranked Ivey as one of the top international business schools in the world, alongside INSEAD and LBS; and *US News and World Report* selected Ivey as one of the top 15 business school in the world for executive development programs.

As of 1998, the School had 65 full-time faculty who annually taught 600 regular and executive MBA, 300 undergraduate, and 40 Ph. D. students, plus executives in a wide range of non-degree programs.

The faculty members who selected each book for reprinting all have Ph. D. s from major business schools such as Harvard, Wharton, Michigan, M. I. T., and Ivey. Each professor carefully reviewed the various books available to ensure the best possible choices of material for the China market. We are confident you will be pleased with their selection.

Richard Ivey School of Business  
The University of Western Ontario

## 序 言 2

中国的改革开放事业催生了中国的现代管理教育，社会主义市场经济体制的确立，为中国的管理教育开辟了广阔的发展空间，使中国的管理教育，尤其是工商管理硕士（Master of Business Administration, MBA）的教育进入了一个全新的发展阶段。1991年，国务院学位办刚刚批准在部分高校中试办MBA教育时，只有九所院校得到授权，当年只招收了86名学生；到1994年，授权院校增加到26所，招生规模扩大为1230名；而在不久前结束的1998年招生工作中，已有56所院校得到了授权，这些院校共招收了4000名MBA学生。这一事实生动地说明了MBA教育在我国正方兴未艾。根据美国的经验，MBA学位占每年硕士学位授予人数的四分之一，中国目前这一比例只占到百分之五，因此，从发展的前景看，MBA教育在中国前程远大。

然而，也应看到，中国的MBA教育还刚刚起步，在培养人的各个环节：师资、课程与教材方面还很落后，难以适应经济发展的需要，与发达国家的情况相比差距是十分巨大的。加强国际合作与交流，大胆地借鉴、引进世界上一切优秀的MBA教育方面的教学内容、方法和手段，特别是系统地引进国外优秀的MBA教材，在此基础上坚持贯彻“以我为主，博采众长，融合提炼，自成一家”的指导方针，是逐步提高师资水平、更新专业知识、不断改进课程结构与内容、努力改革教学方法、引进案例教学、从而大大缩小中国与发达国家的差距、迅速提高中国MBA教育水平的重要步骤。

为此，清华大学经济管理学院与加拿大西安大略大学毅伟管理学院（Richard Ivey School of Business, The University of Western Ontario）合作，联合推出一套能反映当代水平、体现国际规范、可供中国借鉴的MBA核心课程的教材。清华大学的经管学院成立于1984年，是国务院学位办首批授权举办MBA教育的九所院校之一，1997~1998学年度招收MBA学生400多名，现拥有全国最大规模的MBA教育项目；毅伟管理学院成立于1948年，是加拿大最好的商学院，拥有很高的国际声誉，在MBA的培养方面具有丰富的经验和很强的力量，它所培养的12000名毕业生中有六分之一成为其所在机构的董事会主席、副主席，总裁、副总裁，首席执行官或经理。

两院推出的这套MBA教材共十八种，大致可分为四部分。第一部分是反映管理主要内容的《管理学》（Richard L. Daft）、《战略管理》（Arthur A. Thompson, Jr. and A. J. Strickland III）、《市场营销学基础：全球管理》（William D. Perreault, Jr. and Jerome McCarthy）、《人力资源管理》（Lawrence S. Kleiman）、《国际管理》（Paul W. Beamish, Allen Morrison and Philip M. Rosenzweig）、《经理人员的沟通》（Norman B. Sigband and Arthur H. Bell）与《管理沟通：原理与实践》（Michael E. Hattersley and Linda McJannet）；第二部分是反映企业资产负债管理、投融资与财务活动和企业会计理论与实践的《公司财务原理》（Richard A. Brealey and Stewart C. Myers）、《投资学精要》（Zvi Bodie, Alex Kane and Alan J. Marcus）、《财务会计》（Clyde P. Stickney and Roman L. Weil）与《管理会计》（Ronald W. Hilton）；第三部分是反映企业管理技术方面的《管理科学导论》（David R. Anderson, Dennis J. Sweeney



and Thomas A. Williams)、《信息时代的管理信息系统》(Stephen Haag, Maeve Cummings and James P. Dawkins)、《商务与经济统计》(David R. Anderson, Dennis J. Sweeney and Thomas A. Williams)与《生产与运作管理》(Richard B. Chase, Nicholas J. Aquilano and F. Robert Jacobs);最后一部分是反映管理基础内容的《经济学原理》(N. Gregory Mankiw)、《商业伦理学》(David J. Fritzsche)和《商法与监管环境》(Ronald A. Anderson, David P. Twomey, Ivan Fox and Marianne Moody Jennings)。

在这套 MBA 教材的挑选中,在版权允许的范围内,既照顾了课程的结构,又考虑了 MBA 的特点。反映最新成果、理论结合实际、突出案例分析、作者知名度高是挑选中注意把握的基本原则。毅伟管理学院还特意组织了 17 名教授专为这套教材编配了案例集。这套教材可以做教师的教学参考书,教师可以运用书中的原理与国情相结合,逐渐发展出有中国特色的 MBA 教材;它也可以做 MBA 学生的教科书,帮助学生掌握市场经济的原理与规律,以便分析、解决中国的实际问题。另外,所有具有英文阅读能力的企业界与经济界人士、对经济管理有兴趣的高校学生,都可以把它作为系统学习经济管理知识、了解市场经济的规范的学习材料,以便更好地理解经济管理问题,增长分析、处理经济管理问题的才干。

朱镕基总理在 1994 年写给清华大学经济管理学院建院十周年的贺信中曾明确指出:“建设有中国特色的社会主义,需要一大批掌握市场经济的一般规律、熟悉其运行规则、而又了解中国企业实情的经济管理人才。”他在 1996 年提出“管理科学、兴国之道”,希望在中国“掀起一股学习管理、加强管理、发展管理科学、加强管理培训的热潮”。我们联合推出这套书,就是希望能在普及市场经济的一般规律与运行规则的知识、促进管理教育在中国的发展、提高中国企业的管理水平方面做一点实际的工作。

清华大学经济管理学院

1998 年 6 月 16 日

## About the Authors

### **ZVI BODIE**

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**Zvi Bodie** is professor of finance at Boston University School of Management. He holds a PhD from the Massachusetts Institute of Technology and has served on the finance faculty at Harvard University and at MIT. He currently serves as a member of the Global Financial System Group at Harvard University and the Pension Research Council at the University of Pennsylvania.

He has published widely on pension finance, the management of financial guarantees in both the private and public sector, and investment strategy in an inflationary environment. He has coedited several books on pensions, including *Securing Employer Pensions: An International Perspective*; *Pensions and the Economy: Sources, Uses and Limitations of Data*; *Pensions in the U.S. Economy*; *Issues in Pension Economics*; and *Financial Aspects of the U.S. Pension System*.

Professor Bodie's research on pensions has focused on the funding and investment policies of private pension plans and on public policies such as the provision of government pension insurance. He has consulted on pension policy for the U.S. Department of Labor, the Pension Benefit Guaranty Corporation, and the State of Israel.

### **ALEX KANE**

#### **University of California, San Diego**

Alex Kane is professor of finance and economics at the Graduate School of International Relations and Pacific Studies at the University of California, San Diego. He was visiting professor at the Faculty of Economics, University of Tokyo; Graduate School of Business, Harvard; Kennedy School of Government, Harvard; and research associate, National Bureau of Economic Research. An author of many articles in finance and management journals, Professor Kane's research is mainly in corporate finance, portfolio management, and capital markets, most recently in the measurement of market volatility and the pricing of options. Professor Kane is the developer of the *International Simulation Laboratory (ISL)* for training and experimental research in executive decision making.

### **ALAN J. MARCUS**

#### **Boston College**

Alan Marcus is professor of finance and chairman of the finance department in the Wallace E. Carroll School of Management at Boston College. He received his PhD in Economics from MIT in 1981. Professor Marcus recently has been a visiting professor at the Athens Laboratory of Business Administration and at MIT's Sloan School of Management and has served as a research associate at the National Bureau of Economic Research. He also established the Chartered Financial Analysts Review Program at Boston College. Professor Marcus has published widely in the fields of capital markets and portfolio management, with an emphasis on applications of futures and options pricing models. His consulting work has ranged from new product development to provision of expert testimony in utility rate proceedings. He also spent two years at the Federal Home Loan Mortgage Corporation (Freddie Mac), where he developed models of mortgage pricing and credit risk, and he currently serves on the Advisory Council for the Currency Risk Management Alliance of State Street Bank and Windham Capital Management Boston.

## Preface

In no other field is the transfer of theory to real-world practice as rapid as it is now in the financial industry. New securities and trading strategies derived from financial theory emerge continually. As a result, the line between finance practitioners and theorists has become increasingly fuzzy. A solid grounding in principles is required for all those who participate in the markets and work with the instruments now commonly traded.

*Essentials of Investments*, Third Edition, is intended as a textbook on investment analysis most applicable for the undergraduate student's first course in investments. Our focus on investment analysis allows us to present financial theory as well as highlight its use in the practical world and convey insights of practical value. We have eliminated unnecessary mathematical detail and instead concentrated on the intuition and insights that will be useful to practitioners throughout their careers as new ideas and challenges emerge from the financial marketplace.

In our effort to link theory to practice, we also have attempted to make our approach consistent with that of the Institute of Chartered Financial Analysts (ICFA), a subsidiary of the Association of Investment Management and Research (AIMR). In addition to fostering research in finance, the AIMR and ICFA administer an education and certification program to candidates seeking the title of Chartered Financial Analyst (CFA). The CFA curriculum represents the consensus of a committee of distinguished scholars and practitioners regarding the core of knowledge required by the investment professional.

There are many features of this text that make it consistent with and relevant to the CFA curriculum. The end-of-chapter problem sets contain questions from past CFA exams, and, for students who will be taking the exam, Appendix D is a useful tool that lists each CFA question in the text and the exam from which it has been taken. Chapter 3 includes excerpts from the "Code of Ethics and Standards of Professional Conduct" of the ICFA, and Chapter 5, which discusses investors and the investment process and is modeled after the ICFA outline, includes guidelines on "How to Become a Chartered Financial Analyst."

### UNDERLYING PHILOSOPHY

Legend has it that a student once approached a renowned traditional scholar and asked to be taught the entire Bible while standing on one foot. The angry scholar kicked the fresh would-be student out the door. The student then approached the best-known liberal scholar of the day with the same request. "This is quite simple," the wise man told the boy. "Thou shalt love thy neighbor as thyself." "Is this all?" gasped the fellow in disbelief. "Oh yes," said the old man. "All else is explanation."

Like the liberal scholar, we believe that attention to a few important principles can simplify the study of otherwise difficult material and that fundamental principles should organize and motivate all study. These principles are crucial to understanding the securities already traded in financial markets and in understanding new securities that will be introduced in the future. For this reason, we have made this book thematic, meaning we never offer rules of thumb without reference to the central tenets of the modern approach to finance.

The common theme unifying this book is that *security markets are nearly efficient*, meaning most securities are usually priced appropriately given their risk and return attributes. There are few free lunches found in markets as competitive as the financial market. This simple observation is, nevertheless, remarkably powerful in its implications for the

design of investment strategies; as a result, our discussions of strategy are always guided by the implications of the efficient markets hypothesis. While the degree of market efficiency is, and always will be, a matter of debate, we hope our discussions throughout the book convey a good dose of healthy criticism concerning much conventional wisdom.

## DISTINCTIVE THEMES

This edition of *Essentials of Investments* has three distinctive themes:

1. First is the thematic organization of the text around a central core of consistent principles. The central theme is the near-informational-efficiency of well-developed security markets, such as those in the U.S. Other themes are the centrality of the risk-return trade-off in developing investment strategy and the general awareness that competitive markets do not offer “free lunches” to participants.
2. This text places greater emphasis on **asset allocation** than most of its competitors. We prefer this emphasis for two important reasons. First, it corresponds to the procedure that most individuals actually follow. Typically, you start with all of your money in a bank account, only then considering how much to invest in something riskier that might offer a higher expected return. The logical step at this point is to consider other risky asset classes, such as stock, bonds, or real estate. This is an asset allocation decision. Second, in most cases, the asset allocation choice is far more important in determining overall investment performance than is the set of security selection decisions. Asset allocation is the primary determinant of the risk-return profile of the investment portfolio, and so it deserves primary attention in a study of investment policy.
3. This text offers a much broader and deeper treatment of futures, options, and other derivative security markets than most investments texts. These markets have become both crucial and integral to the financial universe and are the major sources of innovation in that universe. Your only choice is to become conversant in these markets—whether you are to be a finance professional or simply a sophisticated individual investor.

## NEW IN THE THIRD EDITION

Following is a summary of the content changes in the Third Edition:

### **Market Structure (Chapter 3)**

We have updated our treatment of market microstructure in Chapter 3 with an additional discussion of the recent controversy over trading practices in the Nasdaq market. This discussion brings students up to date on trading practices in various security markets and provides an overview of the advantages and disadvantages of various forms of market organization.

### **New Chapter on Mutual Funds and Other Investment Companies (Chapter 4)**

Chapter 4 provides considerable detail on the organization of funds, reviews the costs and benefits associated with investing via mutual funds, examines empirical evidence on the investment performance of funds, and discusses how to find and interpret information on funds such as that presented in *Morningstar's* guide. This chapter thus provides the background necessary to understand this increasingly important market.



### **Expanded Discussion of Historical Rates of Return (Chapter 6)**

In Chapter 6 of this edition, we have added tables of historical data regarding the performance of several asset classes, as well as detailed discussions of various measures of historical rates of return. The new rate of return series give a richer set of benchmarks by which to evaluate investment performance. The expanded discussion of rate of return facilitates the interpretation of these data.

### **Efficient Markets (Chapter 9)**

Chapter 9's review of the empirical literature on the efficient markets hypothesis has been thoroughly updated. The new coverage highlights important new anomalies and attempts to provide balanced interpretations of them.

### **Fixed Income Management (Chapter 11)**

A new discussion of convexity has been added to Chapter 11 of this edition. The new material highlights some of the problems encountered in fixed-income risk management and provides an introduction to more advanced techniques. The discussion appears in a modular format that can be easily skipped if the instructor views the material as too advanced.

### **Equity Markets (Chapter 13)**

Chapter 13, which covers equity valuation, contains an expanded discussion of P/E ratios. These ratios are crucial to security analysis and the new coverage provides additional insight into how they may be interpreted.

### **Increased International Coverage**

This edition contains new coverage of the organization of international equity markets in Chapter 3 as well as new data on the historical performance of major stock indexes in Chapter 20. These additions allow the student to place the organization and historical performance of U.S. markets in a wider context by allowing for international comparisons.

In addition to these changes, we have updated and edited our treatment of topics wherever it was possible to improve exposition or coverage.

## **ORGANIZATION AND CONTENT**

The Third Edition of *Essentials of Investments* is composed of six sections that are fairly independent and may be studied in a variety of sequences. Since there is enough material in the book for a two-semester course, clearly a one-semester course will require the instructor to decide which parts to include. The Instructor's Manual that accompanies the text offers several alternative syllabi for a one- or two-course sequence in Investments.

Part One is introductory and contains important institutional material focusing on the financial environment. We discuss the major players in the financial markets, provide an overview of the types of securities traded in those markets, and explain how and where securities are traded. We also discuss in depth mutual funds and other investment companies, which have become an increasingly important means of investing for individual investors. Part One also lays out the general framework for the investment process in a nontechnical manner, modeled after the approach presented in CFA study materials.

The material presented in Part One should make it possible for instructors to assign term projects early in the course. These projects might require the student to analyze in detail a particular group of securities. Many instructors like to involve their students in some sort of investment game and the material in these chapters will facilitate this process.

Part Two contains the core of modern portfolio theory. We start with a general discussion of risk and return and the lessons of capital market history, and then we proceed to asset allocation and portfolio optimization. After our treatment of modern portfolio theory, we investigate its implications for the equilibrium structure of expected rates of return on risky assets, covering both the capital asset pricing model and arbitrage pricing theory. We complete Part Two with a chapter on the efficient market hypothesis, including its rationale as well as the evidence for and against it.

Part Three is the first of three parts on security valuation. The chapters in this part focus on fixed-income securities—bond pricing, term structure relationships, and risk management. The next two parts deal with equity securities and derivative securities. For a course emphasizing security analysis and excluding portfolio theory, an instructor may proceed directly from Part One to Part Three with no loss in continuity.

Part Four is devoted to equity securities. We proceed in a “top-down” manner, starting with the broad macroeconomic environment and then moving on to equity valuation, fundamental analysis, including financial statement analysis, and finally technical analysis.

Part Five covers derivative assets such as options, futures, swaps, and callable and convertible securities. It contains two chapters on options and one on futures.

Finally, Part Six presents extensions of previous material. Topics covered in this part include the evaluation of portfolio performance, portfolio management in an international setting, and an overview of active portfolio management.

## PEDAGOGICAL FEATURES

### Opening Vignettes

Each part of the Third Edition begins with an opening vignette. These openers provide a broad and high-interest introduction to the material that is to follow. The vignettes often cite high-profile cases from current events to illustrate the importance of the material to real-world practice.

### Chapter Objectives

Each chapter begins with a statement of the objectives of the chapter and describes the material to be covered, providing students with an overview of the concepts they will understand after reading the chapter.

### Boxed Readings

Current articles from financial publications, such as *The Wall Street Journal*, *Business Week*, and *The Economist*, are featured as boxed readings. Each box is discussed in the narrative of the text, and, therefore, its real-world relevance to the chapter material is clearly defined for the students. For instructors who do not have time to cover these boxes, the text references provide a sufficient guide for students. For instructors who do wish to discuss the boxes in class, each reading is included in the presentation of chapter material in the Instructor's Manual, and the Test Bank includes at least one test question per article, making it easy for instructors to incorporate these current events articles into their classroom discussions.

### Concept Checks

Strategically placed throughout each chapter, self-test questions and problems enable the student to determine whether he or she has understood the preceding material and to reinforce that understanding before reading further. Detailed solutions to these questions are found at the end of each chapter.

### **Key Terms**

Key terms are indicated in boldface within the narrative and are defined in the margin the first time they are used. The terms also are listed at the end of the chapter, with page references for easy review.

### **Numbered Equations**

Key equations are called out in the text and identified by equation numbers. Equations that are frequently used are also featured on the text's back endsheets for convenient reference.

### **Numbered Examples**

Separate numbered and titled examples are integrated in the chapters and indicated by a colored sidebar. Using the worked-out solutions to these examples as models, students can learn how to solve particular problems in a step-by-step manner as well as gain insight into general principles by seeing how they are applied to answer concrete questions.

## **END-OF-CHAPTER FEATURES**

### **Summary**

This bulleted feature helps students review the key points and provides closure to the chapter.

### **List of Key Terms**

To facilitate students' review of the chapter's key concepts, a list of key terms, including page references, appears at the end of each chapter.

### **Problem Sets**

The end-of-chapter problems for each chapter progress from the simple to the complex. We strongly believe that practice in solving problems is a critical part of learning investments, so we provide a good variety of problems.

### **CFA Questions**

We provide numerous CFA questions in applicable chapters. These questions represent the kinds of questions that professionals in the field believe are relevant to the practicing money manager. These problems are identified by an icon in the text margin. Appendix D lists each CFA question and the level and year of the CFA exam it was included in, for easy reference when studying for the exam.

### **IEM Applications**

This new section includes questions and projects to accompany the Iowa Electronic Markets (IEM), a real-time/real-money, on-line futures market. (See IEM under "Ancillary Materials" below for information on how to access this product.) This feature allows students to take their understanding of the chapter material and apply it to a real-world situation. Solutions and tips relevant to these questions are included in the Solutions Manual, available to instructors and students, which allows students to use IEM without instructor guidance. In addition, the questions and solutions are reprinted in the Instructor's Manual, along with additional questions for instructors who require IEM for their class and want related homework assignments.

## ANCILLARY MATERIALS

### For the Instructor:

#### **Instructor's Manual**

Prepared by Richard D. Johnson, Colorado State University, this instructional tool provides an integrated learning approach. Each chapter includes a Chapter Overview, Learning Objectives, and Presentation of Chapter Material, which outlines the material and organizes it around the Transparency Masters/PowerPoint Presentation Software. Transparency Masters are located at the end of each chapter. The boxed readings also are summarized, with tips on how to incorporate them into your classroom discussion.

Also included in the Instructor's Manual is a section that includes questions and projects for the Iowa Electronic Markets. Please see the "For the Student" section below for more information on this product.

#### ***New!* PowerPoint Presentation Software**

These presentation slides, also developed by Richard D. Johnson, provide the instructor with an electronic format of the Transparency Masters. These slides follow the order of the chapters, but if you have PowerPoint software, you may customize the program to fit your lecture presentation.

#### **Test Bank**

Prepared by David Louton, Bryant College, the Test Bank has been expanded to include more than 1,000 questions. Each question is ranked by level of difficulty (easy, medium, hard), which allows greater flexibility in creating a test. For instructors who like to cover the boxed readings, there is at least one test question per article included. Detailed solutions to the problems also are included. The Test Bank also is available in a computerized format for DOS, Windows, and Macintosh.

### For the Student:

#### ***New!* The Wall Street Journal Edition**

Available through a unique arrangement with Dow Jones & Company, *The Wall Street Journal* Edition of *Essentials of Investments* includes a free 10-week subscription to *The Wall Street Journal* included in the price of the book. Instructors should contact their sales representative about ordering this special edition.

#### **Solutions Manual**

The Solutions Manual, prepared by the authors, provides detailed solutions to the end-of-chapter problems. The authors' involvement in the Solutions Manual ensures consistency between the solution approaches shown in the examples in the text and those presented in the solutions manual.

#### ***New!* Ready Notes**

This note-taking supplement contains a reduced copy of every image from the Transparency Masters and PowerPoint Presentation Software packages. There is room to take notes next to each image, allowing students a more complete and organized method for recording lecture notes.



### **The Innovative Investor, Version 2.0**

Prepared by David Shimko, this software is available in Lotus and a new Excel version. These templates are designed to provide students with quick access to difficult calculations associated with the analysis of securities such as stocks, bonds, callable and convertible securities, options, and futures, as well as to facilitate the analytics underlying asset allocation, performance evaluation, and other applications. All spreadsheets come complete with comprehensive “What-if” analysis, in addition to automatic graphing and printing capabilities. These user-friendly capsules are designed to solve many problems a student of investments might encounter, beginning with problems available in the User’s Manual, but extending as well to problems you may encounter in a career as a financial analyst or sophisticated investor. Together with the text, the software enables students not only to process calculations, but to ask questions and build upon the intuition established in the text.

### ***New!* Iowa Electronic Markets (IEM)**

The IEM is an on-line, real-time and real-money electronic futures market, sponsored by the University of Iowa and Irwin/McGraw-Hill. Students use real money accounts to trade contracts with payoffs based upon real-world events, such as political outcomes, companies’ earnings per share, and stock price returns. The markets run continuously, with new sets of contracts opening at least once a month. Participating in IEM provides students with real incentives to learn about markets and follow economic, financial, and political news.

This edition of *Essentials of Investments* includes questions and projects for this supplement under the heading of “IEM Applications” in the end-of-chapter material. These questions help students apply the material they have learned in the text to real-world situations. The solutions are available in the Solutions Manual. All questions and solutions are reprinted in the Instructor’s Manual, and additional questions are provided to assign as projects if the instructor desires.

Students can sign up and use IEM individually, without an instructor’s guidance, or instructors can engage their class in a term-long project. For more information on IEM, go to <http://www.mhhe.com/irwin/iem>. For information on how to use IEM in the classroom, with sample syllabi and projects, go to <http://biz.uiowa.edu/iem> and click on “Classroom IEM.” If you have additional questions, please contact your Irwin/McGraw-Hill sales representative.

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