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(英文版·第九版)

Fundamentals of Corporate Finance

(9th Edition)

理查德·A.布雷利 (Richard A. Brealey)

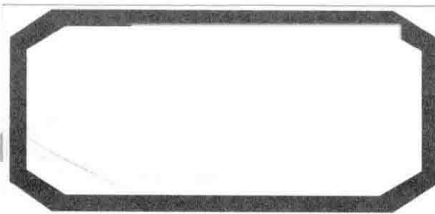
斯图尔特·C.迈尔斯 (Stewart C. Myers) 著

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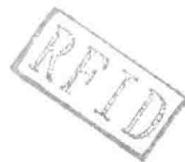
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· 北京 ·

图书在版编目 (CIP) 数据

公司理财: 英文版: 第九版 / (英) 理查德·A. 布雷利, (美) 斯图尔特·C. 迈尔斯, (美) 艾伦·J. 马库斯著. —北京: 中国人民大学出版社, 2019.4

经济学经典教材·金融系列

ISBN 978-7-300-26832-3

I. ①公… II. ①理… ②斯… ③艾… III. ①公司-财务管理-高等学校-教材-英文 IV. ①F276.6

中国版本图书馆 CIP 数据核字 (2019) 第 051835 号

高等学校经济类双语教学推荐教材

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Gongsi Licai

出版发行 中国人民大学出版社

社 址 北京中关村大街31号

邮政编码 100080

电 话 010-62511242 (总编室)

010-62511770 (质管部)

010-82501766 (邮购部)

010-62514148 (门市部)

010-62515195 (发行公司)

010-62515275 (盗版举报)

网 址 [http:// www. crup. com. cn](http://www.crup.com.cn)

[http:// www. ttrnet. com](http://www.ttrnet.com) (人大教研网)

经 销 新华书店

印 刷 涿州市星河印刷有限公司

规 格 215 mm × 275 mm 16开本

版 次 2019年4月第1版

印 张 39.5 插页2

印 次 2019年4月第1次印刷

字 数 1 061 000

定 价 89.00元

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出版说明

党的十六大确立了“引进来，走出去”的发展战略，使得“国际化”复合型人才的需求不断增加。这就对我国一般本科院校多年来所采取的单一语言（母语）教学提出了严峻挑战，经济类专业双语教学改革迫在眉睫。

为配合高校经济类专业双语教学改革，中国人民大学出版社携手培生、麦格劳-希尔、圣智等众多国际知名出版公司，倾情打造了该套“经济类双语教学推荐教材”，本套教材包括：经济管理类专业开设的核心课程、经济学专业开设的主干课程以及财政金融专业和国际贸易专业的主要课程。所选教材均为国外最优秀的本科层次经济类教材。

我们在组织、引进和出版该系列教材的过程中，严把质量关。聘请国内著名经济学家、学者以及一线授课教师审核国外原版教材，广泛听取意见，努力做到把国外真正高水平的适合国内实际教学需求的优秀教材引进来，供国内广大师生参考、研究和学习。

本系列教材主要有以下特点：

第一，教材体系设计完整。本系列教材全部为国外知名出版公司的优秀教材，涵盖了经济类专业的所有主要课程。

第二，保持英文原版教材特色。本系列教材依据国内实际教学需要以及广泛的适应性，部分对原版教材进行了全文影印，部分在保持原版教材体系结构和内容特色的基础上进行了适当删减。

第三，内容紧扣学科前沿。本系列教材在原著选择上紧扣国外教学前沿，基本上都是国外最流行教材的最新版本。

第四，篇幅合理、价格适中。本系列教材一方面在内容和篇幅上很好地适应了国内双语教学的实际需要，另一方面，低定价策略又避免了国外原版图书高额的购买费用。

第五，提供强大的教学支持。依托国外知名出版公司的资源，本系列教材为教师提供丰富的配套教辅资源，如教师手册、PPT课堂演示文稿、试题库等，并配套有内容丰富的网络资源，使教学更为便利。

本系列教材既适合高等院校经济类专业的本科教学使用，也适合从事经济类工作和研究的广大从业者阅读和学习。我们在选书、改编过程中虽然全面听取了专家、学者和教师的意见，努力做到满足广大读者的需求，但由于各教材的作者所处的政治、经济和文化背景不同，书中内容仍可能有不妥之处，我们真诚希望广大读者提出宝贵意见和建议，以便我们在以后的版本中不断改进和完善。

About The Authors

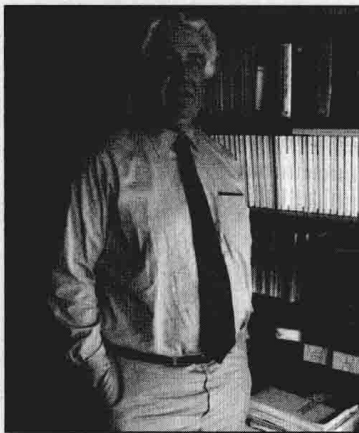


Courtesy of Richard A. Brealey

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Preface

This book is an introduction to corporate finance. It focuses on how companies invest in real assets, how they raise the money to pay for the investments, and how those assets ultimately affect the value of the firm. It also provides a broad overview of the financial landscape, discussing, for example, the major players in financial markets, the role of financial institutions in the economy, and how securities are traded and valued by investors. The book offers a framework for systematically thinking about most of the important financial problems that both firms and individuals are likely to confront.

Financial management is important, interesting, and challenging. It is *important* because today's capital investment decisions may determine the businesses that the firm is in 10, 20, or more years ahead. Needless to say, a firm's success or failure depends, in large part, on its ability to find the capital that it requires.

Finance is *interesting* for several reasons. Financial decisions often involve huge sums of money. Large investment projects or acquisitions may involve billions of dollars. Also, the financial community is international and fast-moving, with colorful heroes and a sprinkling of unpleasant villains.

Finance is *challenging*. Financial decisions are rarely cut and dried, and the financial markets in which companies operate are changing rapidly. Good managers can cope with routine problems, but only the best managers can respond to change. To handle new problems, you need more than rules of thumb; you need to understand why companies and financial markets behave as they do and when common practice may not be best practice. Once you have a consistent framework for making financial decisions, complex problems become more manageable.

This book provides that framework. It is not an encyclopedia of finance. It focuses instead on setting out the basic *principles* of financial management and applying them to the main decisions faced by the financial manager. It explains why the firm's owners would like the manager to increase firm value and shows how managers make choices between investments that may pay off at different points of time or have different degrees of risk. It also describes the main features of financial markets and discusses why companies may prefer a particular source of finance.

We organize the book around the key concepts of modern finance. These concepts, properly explained, simplify the subject. They are also practical. The tools of financial management are easier to grasp and use effectively when presented in a consistent conceptual framework. This text provides that framework.

Modern financial management is not "rocket science." It is a set of ideas that can be made clear by words, graphs, and numerical examples. The ideas provide the "why" behind the tools that good financial managers use to make investment and financing decisions.

We wrote this book to make financial management clear, useful, and fun for the beginning student. We set out to show that modern finance and good financial practice go together, even for the financial novice.

Fundamentals and Principles of Corporate Finance

This book is derived in part from its sister text *Principles of Corporate Finance*. The spirit of the two books is similar. Both apply modern finance to give students a working ability to make financial decisions. However, there are also substantial differences between the two books.

First, we provide in *Fundamentals* much more detailed discussion of the principles and mechanics of the time value of money. This material underlies almost all of this text, and we spend a lengthy chapter providing extensive practice with this key concept.

Second, we use numerical examples in this text to a greater degree than in *Principles*. Each chapter presents several detailed numerical examples to help the reader become familiar and comfortable with the material.

Third, we have streamlined the treatment of most topics. Whereas *Principles* has 34 chapters, *Fundamentals* has only 20. The relative brevity of *Fundamentals* necessitates a broader-brush coverage of some topics, but we feel that this is an advantage for a beginning audience.

Fourth, we assume little in the way of background knowledge. While most users will have had an introductory accounting course, we review the concepts of accounting that are important to the financial manager in Chapter 3.

Principles is known for its relaxed and informal writing style, and we continue this tradition in *Fundamentals*. In addition, we use as little mathematical notation as possible. Even when we present an equation, we usually write it in words rather than symbols. This approach has two advantages. It is less intimidating, and it focuses attention on the underlying concept rather than the formula.

Organizational Design

Fundamentals is organized in eight parts.

Part 1 (Introduction) provides essential background material. In the first chapter, we discuss how businesses are organized, the role of the financial manager, and the financial markets in which the manager operates. We explain how shareholders want managers to take actions that increase the value of their investment, and we introduce the concept of the opportunity cost of capital and the trade-off that the firm needs to make when assessing investment proposals. We also describe some of the mechanisms that help to align the interests of managers and shareholders. Of course, the task of increasing shareholder value does not justify corrupt and unscrupulous behavior. We, therefore, discuss some of the ethical issues that confront managers.

Chapter 2 surveys and sets out the functions of financial markets and institutions. This chapter also reviews the crisis of 2007–2009. The events of those years illustrate clearly why and how financial markets and institutions matter.

A large corporation is a team effort, so the firm produces financial statements to help the players monitor its progress. Chapter 3 provides a brief overview of these financial statements and introduces two key distinctions—between market and book values and between cash flows and profits. This chapter also discusses some of the shortcomings in accounting practice. The chapter concludes with a summary of federal taxes.

Chapter 4 provides an overview of financial statement analysis. In contrast to most introductions to this topic, our discussion is motivated by considerations of valuation and the insight that financial ratios can provide about how management has added to the firm's value.

Part 2 (Value) is concerned with valuation. In Chapter 5, we introduce the concept of the time value of money, and because most readers will be more familiar with their own financial affairs than with the big leagues of finance, we motivate our discussion by looking first at some personal financial decisions. We show how to value long-lived streams of cash flows and work through the valuation of perpetuities and annuities. Chapter 5 also contains a short concluding section on inflation and the distinction between real and nominal returns.

Chapters 6 and 7 introduce the basic features of bonds and stocks and give students a chance to apply the ideas of Chapter 5 to the valuation of these securities. We show how to find the value of a bond given its yield, and we show how prices of bonds fluctuate as interest rates change. We look at what determines stock prices and how stock valuation formulas can be used to infer the return that investors expect. Finally, we see how investment opportunities are reflected in the stock price and why analysts focus on the price-earnings multiple. Chapter 7 also introduces the concept of market efficiency. This concept is crucial to interpreting a stock's valuation; it also provides a framework for the later treatment of the issues that arise when firms issue securities or make decisions concerning dividends or capital structure.

The remaining chapters of Part 2 are concerned with the company's investment decision. In Chapter 8, we introduce the concept of net present value and show how to calculate the NPV of a simple investment project. We then consider more complex investment proposals, including choices between alternative projects, machine replacement decisions, and decisions of when to invest. We also look at other measures of an investment's attractiveness—its internal rate of return, profitability index, and payback period. We show how the profitability index can be used to choose between investment projects when capital is scarce. The appendix to Chapter 8 shows how to sidestep some of the pitfalls of the IRR rule.

The first step in any NPV calculation is to decide what to discount. Therefore, in Chapter 9, we work through a realistic example of a capital budgeting analysis, showing how the manager needs to recognize the investment in working capital and how taxes and depreciation affect cash flows.

We start Chapter 10 by looking at how companies organize the investment process and ensure everyone works toward a common goal. We then go on to look at various techniques to help managers identify the key assumptions in their estimates, such as sensitivity analysis, scenario analysis, and break-even analysis. We explain the distinction between accounting break-even and NPV break-even. We conclude the chapter by describing how managers try to build future flexibility into projects so that they can capitalize on good luck and mitigate the consequences of bad luck.

Part 3 (Risk) is concerned with the cost of capital. Chapter 11 starts with a historical survey of returns on bonds and stocks and goes on to distinguish between the specific risk and market risk of individual stocks. Chapter 12 shows how to measure market risk and discusses the relationship between risk and expected return. Chapter 13 introduces the weighted-average cost of capital and provides a practical illustration of how to estimate it.

Part 4 (Financing) begins our discussion of the financing decision. Chapter 14 provides an overview of the securities that firms issue and their relative importance as sources of finance. In Chapter 15, we look at how firms issue securities, and we follow a firm from its first need for venture capital, through its initial public offering, to its continuing need to raise debt or equity.

Part 5 (Debt and Payout Policy) focuses on the two classic long-term financing decisions. In Chapter 16, we ask how much the firm should borrow, and we summarize bankruptcy procedures that occur when firms can't pay their debts. In Chapter 17, we study how firms should set dividend and payout policy. In each case, we start with Modigliani and Miller's (MM's) observation that in well-functioning markets, the decision should not matter, but we use this initial observation to help the reader understand why financial managers in practice *do* pay attention to these decisions.

Part 6 (Financial Analysis and Planning) starts with long-term financial planning in Chapter 18, where we look at how the financial manager considers the combined effects of investment and financing decisions on the firm as a whole. We also show how measures of internal and sustainable growth help managers check that the firm's planned growth is consistent with its financing plans. Chapter 19 is an introduction to short-term financial planning. It shows how managers ensure that the firm will have enough cash to pay its bills over the coming year. Chapter 20 addresses working capital management. It describes the basic steps of credit management, the principles of inventory management, and how firms handle payments efficiently and put cash to work as quickly as possible. It also describes how firms invest temporary surpluses of cash and how they can borrow to offset any temporary deficiency. Chapter 20 is conceptually straightforward, but it contains a large dollop of institutional material.

Routes through the Book

There are about as many effective ways to organize a course in corporate finance as there are teachers. For this reason, we have ensured that the text is modular so that topics can be introduced in different sequences.

We like to discuss the principles of valuation before plunging into financial planning. Nevertheless, we recognize that many instructors will prefer to move directly from Chapter 4 (Measuring Corporate Performance) to Chapter 18 (Long-Term Financial Planning) in order to provide a gentler transition from the typical prerequisite accounting course. We have made sure that Part 6 (Financial Analysis and Planning) can easily follow Part 1.

Similarly, we like to discuss working capital after the student is familiar with the basic principles of valuation and financing, but we recognize that here also many instructors prefer to reverse our order. There should be no difficulty in taking Chapter 20 out of order.

When we discuss project valuation in Part 2, we stress that the opportunity cost of capital depends on project risk. But we do not discuss how to measure risk or how return and risk are linked until Part 3. This ordering can easily be modified. For example, the chapters on risk and return can be introduced before, after, or midway through the material on project valuation.

Changes in the Ninth Edition

Users of previous editions of this book will not find dramatic changes in either the material or the ordering of topics. But, throughout, we have made the book more up to date and easier to read. Here are some of the ways that we have done this.

Beyond the Page The biggest change in the last edition was the introduction of Beyond the Page digital extensions and applications. These digital extensions are not, as they may sound, artificial fingernails; they are additional examples, anecdotes, spreadsheet programs, and more thoroughgoing explanations of some topics. This material is very easily accessed on the web. In this edition, we have added a number of additional applications and made them easier to access. For example, the applications are seamlessly available with a click on the e-version of the book, but they are also readily accessible in the traditional hard copy of the text using the shortcut URLs provided in the margins of relevant pages.

Improving the Flow A major part of our effort in revising this text was spent on improving the flow. Often this has meant a word change here or a redrawn diagram there, but sometimes we have made more substantial changes. One example is the

discussion of WACC in Chapter 13. Rather than chop and change between our two illustrative companies, Geothermal and Big Oil, we now follow through the Geothermal example to the end. By then, the reader should understand when one can and can't use WACC and can move on to tackling the practical problems of estimating Big Oil's capital structure and expected returns. The material is substantially unchanged, but we think that the flow is much improved.

Updating Of course, in each new edition we try to ensure that any statistics are as up to date as possible. For example, since the previous edition, we have available an extra 3 years of data on security returns. These show up in the figures in Chapter 11 of the long-run returns on stocks, bonds, and bills. Measures of EVA, data on security ownership, dividend payments, and stock repurchases are just a few of the other cases where data have been brought up to date.

Recent Events We discussed the financial crisis of 2007–2009 in the previous edition, but we have now been able to revise our discussion to include the spill-over to the crisis in the eurozone and to draw some general lessons. The eurozone crisis was also a reminder that government debt is not risk free. We come back to that issue in Chapter 6 when we discuss default risk.

Concepts There are several places where we have introduced new conceptual material. For example, students who have learned about the dividend discount model are often confused about how to value the many companies that also repurchase their stock. We introduce the issue in Chapters 7 and 13, and in Chapter 17, we explain how to value stocks of companies that both pay dividends and repurchase stock.

New Illustrative Boxes The text contains a number of boxes with illustrative real-world examples. Many of these are new. Look, for example, at the box in Chapter 2 that describes prediction markets and what they had to say about the 2016 primaries. Or look at the box in Chapter 15 that shows how HUDWAY used crowdfunding to finance its Head-Up Display project.

More Worked Examples We have added more worked examples in the text, many of them taken from real companies.

Specific Chapter Changes in the Ninth Edition

Here are a few of the additions to chapter material:

Chapter 1 contains a discussion of the ethical implications of Volkswagen's suppression of emissions data for its diesel cars.

Chapter 2 includes a new box on mortgage-backed securities and their role in the financial crisis.

Chapter 3 includes updated discussions of accounting malfeasance and of the ebb and flow of attempts to harmonize GAAP and IFRS accounting standards.

Chapter 5 has a reorganized and integrated discussion of calculators and spreadsheets.

Chapter 6 includes a new Finance in Practice box to show how to find bond information on the web.

Chapter 7 contains a new section on using discounted cash flow to value entire businesses. The section on the efficient market theory has also been substantially revised and given a more up-to-date feel.

Chapter 9 now includes a short section that looks ahead to the techniques of project analysis in Chapter 10.

Chapter 10 has been substantially rewritten and better integrated with Chapter 9. It continues with the Blooper example from the earlier chapter to show how

capital budgeting practices and project analysis techniques combine to ensure that investment decisions truly add value.

Chapter 14 now includes a discussion of shareholder votes on management compensation.

Chapter 16 now includes a section warning of the effects of hidden debt and a summary section that discusses how a thoughtful financial manager should set the company's debt strategy.

Chapter 17 contains a quick overview of trends in taxation and payout policy.

Chapter 18 has been considerably revised with a new example. It takes the example of Dynamic Mattress and sets out the three steps needed to derive a financial plan for the company.

Chapter 19 now offers a more focused look at short-term planning models. Discussions of working capital and the sources of short-term finance have been deferred until the next chapter.

Chapter 20 introduces the components of working capital and the determinants of the cash cycle. It then looks briefly at each of the components including short-term debt. Chapter 20 is longer than in the previous edition, but we think that it stands much better on its own.

Assurance of Learning

Assurance of learning is an important element of many accreditation standards. *Fundamentals of Corporate Finance*, Ninth Edition, is designed specifically to support your assurance-of-learning initiatives. Each chapter in the book begins with a list of numbered learning objectives, which are referred to in the end-of-chapter problems and exercises. Every test bank question is also linked to one of these objectives, in addition to level of difficulty, topic area, Bloom's Taxonomy level, and AACSB skill area. Connect, McGraw-Hill's online homework solution, and *EZ Test*, McGraw-Hill's easy-to-use test bank software, can search the test bank by these and other categories, providing an engine for targeted assurance-of-learning analysis and assessment.

AACSB Statement

McGraw-Hill Education is a proud corporate member of AACSB International. Understanding the importance and value of AACSB accreditation, *Fundamentals of Corporate Finance*, Ninth Edition, has sought to recognize the curricula guidelines detailed in the AACSB standards for business accreditation by connecting selected questions in the test bank to the general knowledge and skill guidelines found in the AACSB standards.

The statements contained in *Fundamentals of Corporate Finance*, Ninth Edition, are provided only as a guide for the users of this text. The AACSB leaves content coverage and assessment within the purview of individual schools, the mission of the school, and the faculty. While *Fundamentals of Corporate Finance*, Ninth Edition, and the teaching package make no claim of any specific AACSB qualification or evaluation, we have, within the test bank, labeled selected questions according to the six general knowledge and skills areas.

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*Appendix A A-1**Glossary G-1**Some Useful Facts and Formulas S-1*

Goals and Governance of the Corporation

1

To carry on business, a corporation needs an almost endless variety of assets. Some are tangible assets such as plant and machinery, office buildings, and vehicles; others are intangible assets such as brand names and patents. Corporations finance these assets by borrowing, by reinvesting profits back into the firm, and by selling additional shares to the firm's shareholders.

Financial managers, therefore, face two broad questions. First, what investments should the corporation make? Second, how should it pay for these investments? *Investment decisions* spend money. *Financing decisions* raise money for investment.

We start this chapter with examples of recent investment and financing decisions by major U.S. and foreign corporations. We review what a corporation is and describe the roles of its top financial managers. We then turn to the financial goal of the corporation, which is usually expressed as *maximizing value*, or at least

adding value. Financial managers add value whenever the corporation can invest to earn a higher return than its shareholders can earn for themselves.

But managers are human beings; they cannot be perfect servants who always and everywhere maximize value. We will consider the conflicts of interest that arise in large corporations and how corporate governance helps to align the interests of managers and shareholders.

If we ask managers to maximize value, can the corporation also be a good citizen? Won't the managers be tempted to try unethical or illegal financial tricks? They may sometimes be tempted, but wise managers realize that such tricks are not just dishonest; they almost always destroy value, not increase it. More challenging are the gray areas where the line between ethical and unethical financial actions is hard to draw.

Finally, we look ahead to the rest of this book and look back to some entertaining snippets of financial history.