To my family, friends, colleagues and God for all the love, support and encouragement, and to Canada for all the freedoms we can enjoy, especially free enterprise.

—David Stangeland

To my family for their patience, love, and support.

—Jerrod Falk
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Chapter on the Web
This Online Chapter is on MyFinanceLab at www.myfinancelab.com

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Dr. Stangeland served on the Board of Directors of CMA Canada and he chaired CMA Canada’s Pension Committee. He is a member of the Pension Committee for the University of Manitoba Pension Plans, a member of the Investment committee for the Teachers Retirement Allowance Fund, and serves on the Independent Review Committee for a mutual fund company. Professor Stangeland is a two-time recipient of the CMA Canada Academic Merit Award for Teaching and Research, a four-time winner of the University of Manitoba Teaching Services Award, and a recipient of the Associates Award for Research.
About the Authors

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_Jerrod Falk_ deserves special thanks as a major contributor to the First Canadian Edition. Jerrod graduated with his Bachelor of Commerce (Honours) degree at the University of Manitoba in 1992 and went on to complete his Certified Management Accountant designation (and was the Gold Medal winner) in 1997. His career in corporate finance has spanned both business and government organizations in various roles including corporate controller. Since 2000, Jerrod has been an instructor at the University of Manitoba and is a recipient of multiple teaching awards. In addition to his teaching, Jerrod is a valued member of the Asper School of Business Executive Education team. He also consults with CMA Canada on their CMA-CPFA dual designation program and has been very active in the processes for the development of the CMA Entrance and Case Examinations. Jerrod’s work on the chapter revisions was invaluable, and we are honoured to have him as part of the team in the production of the First Canadian Edition.
Study Aids with a Practical Focus

To be successful, students need to master the core concepts and learn to identify and solve problems that today’s practitioners face.

- **The Valuation Principle** is presented as the foundation of all financial decision making: The central idea is that a firm should take projects or make investments that increase the value of the firm. The tools of finance determine the impact of a project or investment on the firm’s value by comparing the costs and benefits in equivalent terms. The Valuation Principle is first introduced in Chapter 3, revisited in the part openers, and integrated throughout the text.

- **Guided Problem Solutions (GPS)** are Examples that accompany every important concept using a consistent problem-solving methodology that breaks the solution process into three steps: Plan, Execute, and Evaluate. This approach aids student comprehension, enhances their ability to model the solution process when tackling problems on their own, and demonstrates the importance of interpreting the mathematical solution.

- **Personal Finance GPS** Examples showcase the use of financial analysis in everyday life by setting problems in scenarios such as purchasing a new car or house, and saving for retirement.

- **Common Mistake** boxes alert students to frequently made mistakes stemming from misunderstanding core concepts and calculations, as well as those made in the field.

- Using Excel boxes describe Excel techniques and include screenshots to serve as a guide for students using this technology.
industry, one of particular piece of strategic technology. In the pharmaceutical installed base of customers. A third goal might be to get a example, to move from being a tier three player to being tier goal may be to gain a particular market share jump—for public companies are expected to deliver whether to build or buy, be it technology, a market base, acquisition of Warner Lambert, which allowed Pfizer to acquire Google's IPO On April 29, 2004, Google, Inc. announced plans to go public. Breaking with tradition, Google started Wall Street by declaring its intention to use the auction IPO mechanism for distributing its shares. Google had been profitable since 2001, so according to Google executives, access to capital was not the only motive for going public. The company also wanted to provide employees and private equity investors with liquidity. One of the major attractions of the auction mecha- nism was the possibility of allocating shares to more individual investors. Google also hoped to set an accurate offer price by letting market bidders set the IPO price. After the internet stock market bubble, there were many lawsuits related to the way underwriters allocated shares. Google hoped to avoid the allocation scandals by letting the auction allocate shares. Investors who wanted to bid opened a brokerage account with one of the deal's underwriters and then placed their bids with the brokerage house. Google and its underwriters identified the highest bid that allowed the company to sell all of the shares being offered. They also had the flexibility to choose to offer shares of a lower price. On August 18, 2004, Google sold 12.4 million shares at $85 per share. The $1.67 billion raised was easily the largest auction IPO ever. Google stock ticker symbol GOOG opened trading on the NASDAQ market the next day, at $180 per share. Although the Google IPO sometimes stumbled along the way, it represents the most significant example of the use of the auction mechanism as an alternative to the traditional IPO mechanics.

**Applications That Reflect Real Practice**

**Fundamentals of Corporate Finance** features actual companies and practitioners in the field.

**Chapter-Opening Interviews** with recent university graduates now working in the business world underscore the relevance of the finance concepts to students who are encountering them for the first time.

**Practitioner Interviews** from notable professionals are featured in many chapters.

**General Interest boxes** highlight timely material from financial publications that shed light on business problems and real-company practices.
With consistency in presentation and an innovative set of learning aids, *Fundamentals of Corporate Finance* simultaneously meets the needs of both finance majors and non-finance business majors. This textbook truly shows every student how to “think finance.”

**Simplified Presentation of Mathematics**

Because one of the hardest parts of learning finance is mastering the jargon, math, and non-standardized notation, *Fundamentals of Corporate Finance* systematically uses:

- **Notation Boxes.** Each chapter begins with a Notation box that defines the variables and the acronyms used in the chapter and serves as a ‘legend’ for students’ reference.

- **Numbered and Labelled Equations.** The first time a full equation is given in notation form it is numbered. Key equations are titled and revisited in the summary and in end papers.

- **Financial Calculator instructions**, including a box in Chapter 4 on solving for future and present values, and appendices to Chapters 4, 6, and 14 with keystrokes for HP-10BII and TI BAII Plus Professional, highlight this problem-solving tool.

- **Spreadsheet Tables.** Select tables are available on the textbook Web site as Excel files, enabling students to change inputs and manipulate the underlying calculations.

- **Using Excel** boxes describe Excel techniques and include screenshots to serve as a guide for students using this technology.

---

**Chapter 4 APPENDIX** **Using a Financial Calculator**

**Specifying Decimal Places**

Make sure you always have plenty of decimal places displayed!

**HP-10BII**

![HP-10BII Image]

**TI BAII Plus Professional**

![TI BAII Plus Image]

**Toggling Between the Beginning and End of a Period**

You should always make sure that your calculator is in end-of-period mode.

**HP-10BII**

![HP-10BII Image]

**TI BAII Plus Professional**

![TI BAII Plus Image]

---

** USING EXCEL**

Computing NPV and IRR

[Image of Excel spreadsheet]

Here we discuss how to use Microsoft® Excel to solve for NPV and IRR. We also identify some pitfalls to avoid when using Excel.

**NPV Function: Leaving Out Date 0**

Excel’s NPV function has the format, NPV(rate, value1, value2, . . . ) where “rate” is the interest rate per period used to discount the cash flows, and “value1”, “value2”, etc., are the cash flows (or ranges of cash flows). The NPV function computes the present value of the cash flows assuming the first cash flow occurs at date 0. Therefore, if a project’s first cash flow occurs at date 0, we cannot use the NPV function by itself to compute the NPV. We can use the NPV function to compute the present value of the cash flows from date 1 onwards, and then we must add the date 0 cash flow to that result to calculate the NPV. The screenshot below shows the difference. The first NPV calculation (outlined in blue) is correct: we used the NPV function for all of the cash flows occurring at time 1 and later and then added on the first cash flow occurring at time 0 since it is already in present value. The second (outlined in green) is incorrect: we used the NPV function for all of the cash flows, but the function assumed that the first cash flow occurs in period 1 instead of immediately.

**NPV Function: Ignoring Blank Cells**

Another pitfall with the NPV function is that cash flows that are left blank are treated differently from cash flows that are equal to zero. If the cash flow is left blank, both the cash flow and the period are ignored. For example, the second set of cash flows below is equivalent to the first—we have simply left the cash flow for date 2 blank instead of entering a “0.” However, the NPV function ignores the blank cell at date 2 and assumes the cash flow is 10 at date 1 and 110 at date 2, which is clearly not what is intended and produces an incorrect answer (outlined in red).
Practice Finance to Learn Finance

Key Points and Equations

1.1 Why Study Finance?
- Finance and financial decisions are everywhere in our daily lives.
- Many financial decisions are simple, but others are complex. All are tied together by the Valuation Principle—the foundation for financial decision making—which you will learn in this book.

1.2 The Three Types of Firms
- There are three types of firms in Canada: sole proprietorships, partnerships, and corporations.
- Firms with unlimited personal liability include sole proprietorships and partnerships (for general partners).
- Firms with limited liability include limited partnerships (for limited partners but not for general partners) and corporations.
- A corporation is a legally defined artificial being (a judicial person or legal entity) that has many of the legal powers people have. It can enter into business agreements, own property, borrow money, and sue or be sued in court. Businesses are structured as a legally separated entity from their owners.

Terms

- business income trust, p. 9
- corporation, p. 6
- dividend payments, p. 7
- equity trust, p. 9
- equity holder, p. 7
- flow-through entity, p. 9
- general partnership, p. 6
- income trust, p. 9
- limited liability, p. 6
- limited liability partnership, p. 6
- limited partnership, p. 6

Online Practice Opportunities

- MyFinanceLab Study Plan 1.2

End-of-Chapter Materials Reinforce Learning

Testing understanding of central concepts is crucial to learning finance.

- **MyFinanceLab Chapter Summary** presents the key points and conclusions from each chapter, provides a list of key terms with page numbers, and indicates online practice opportunities.

- **Data Cases** present in-depth scenarios in a business setting with questions designed to guide students’ analysis. Many questions involve the use of Internet resources.

- **Integrative Cases** occur at the end of most parts and present a capstone extended problem for each part with a scenario and data for students to analyze based on that subset of chapters.

**Data Case**

This is your second interview with a prestigious brokerage firm for a job as an equity analyst. You survived the morning interviews with the department manager and the vice-president of equity. Everything has gone so well that they want to test your ability as an analyst. You are seated in a room with a computer and a list with the names of two companies—Caterpillar, Inc. (ticker symbol: CAT) and Microsoft (ticker symbol: MSFT).

You have 90 minutes to complete the following tasks:

1. Download the annual income statements, balance sheets, and cash flow statements for the last four fiscal years from MarketWatch (www.marketwatch.com). Enter each company’s ticker symbol and then go to ‘Financials.’ Export the statements to Microsoft Excel.

2. Find historical stock prices for each firm from Yahoo! Finance (http://finance.yahoo.com). Enter your ticker symbol, click on “Historical Prices” in the left column, and enter the proper date range to cover the last day of the month corresponding to the date of each financial statement. Use the closing stock prices (not the adjusted close). To calculate the firms’ market capitalization at each date, we multiply the number of shares outstanding (see “Basic Weighted Shares Outstanding” on the income statement) by the firm’s historic stock price.
When we told our friends and colleagues that we had decided to write an MBA corporate finance textbook, most of them had the same response: Why now? After the successful publication of our MBA textbook, the question became, “How soon can you write an undergraduate version?” Our sincere hope is that Fundamentals of Corporate Finance will shape the way students learn corporate finance for years to come.

We spent two years writing a book that stays true to the successful philosophy of the MBA book but, most importantly, is accessible to an undergraduate non-finance major. We know that countless undergraduate students have felt that corporate finance is challenging. It is tempting to make the subject more accessible by de-emphasizing the core principles and instead concentrating on the results. In our over 40 years of combined teaching experience, we have found that this approach actually makes the subject matter less accessible. The core concepts in finance are clear and intuitive. What makes the subject challenging is that it is often difficult for a novice to distinguish between these core ideas and other intuitively appealing approaches that, if used in financial decision making, will lead to incorrect decisions. Therefore, our primary motivation is to equip students with a solid grounding in the core financial concepts and tools needed to make good decisions. Such grounding will serve these students well, whether this is their only course in finance, or it is the foundation of their major.

The field of finance has undergone significant change in the last 30 years. Yet much of the empirical evidence in financial economics amassed over this time period supports the existing theory and strengthens the importance of understanding and applying corporate financial principles. Many of the problems of the recent financial crises arose because of practitioners’ poor decision making when they did not understand, or chose to ignore, the core concepts that underlie finance and the pedagogy in this book. With the increasing focus on finance in the news, today’s undergraduate students arrive in the classroom with a greater interest in finance than many of their predecessors. The challenge is to use that natural interest and motivation to overcome their fear of the subject and communicate these time-tested core principles. Again, we take what has worked in the classroom and apply it to the text: By providing examples involving familiar companies such as Starbucks, Air Canada, and Apple, making consistent use of real-world data, and demonstrating personal finance applications of core concepts, we strive to keep even non-finance majors engaged.

Our commitment to setting a new standard for undergraduate corporate finance textbooks extends beyond the printed page. We invite you to turn to page xxxvi to learn about MyFinanceLab, the technology breakthrough with the potential to fundamentally change the way your students learn.

**Core Concepts**

Fundamentals of Corporate Finance provides thorough coverage of core finance topics to provide students with a comprehensive—but manageable—introduction to the topic.

**Valuation as the Unifying Framework**

In our experience, students learn best when the material in a course is presented as one unified whole rather than a series of separate ideas. As such, this book presents corporate finance as an application of a subset of simple, powerful ideas. The first is that valuation
drives decision making—the firm should take projects for which the value of the ben-
etits exceeds the value of the costs. The second is that in a competitive market, market
prices (rather than individual preferences) determine values. The combination of these
two ideas is what we call the Valuation Principle, and from it we establish all of the key
ideas in corporate finance, including the NPV rule, security pricing, the relation between
risk and return, and the tradeoffs associated with capital structure and payout policies.

We use the Valuation Principle as a compass; it keeps financial decision makers
on the right track. We introduce it in Chapter 3 along with its direct application, Net
Present Value. Each part opener relates the topics in that part to the Valuation Principle
running theme.

Emphasis on Application

Applying the Valuation Principle provides skills to make the types of comparisons—
among loan options, investments, and projects—that will turn students into knowl
dgeable, confident financial consumers and managers. When students see how to apply
finance to their personal lives and future careers, they grasp that finance is more than
abstract, mathematically based concepts. Who better than a peer to reinforce this mes-

gage? Each chapter opens with a profile of a recent university graduate putting the tools
of finance to work each day in their business career (whether they work in finance or
other areas of a business).

Reinforcement of the Basic Tools

Mastering the tools for discounting cash flows is central to students’ success in the intro-
ductive course. As always, mastery comes with practice and by approaching complex top-
ics in manageable units. To this end, we focus on time value of money basics in Part 2.
Chapter 3 briefly introduces the time value of money for single-period investments as a
critical component of the Valuation Principle. Chapter 4 then focuses on the time value
of money for cash flows lasting several periods. Finally, Chapter 5 demonstrates how
interest rates are quoted and determined. We present a methodical approach to the cash
flows in each problem within this framework:

- Introduce timelines in Chapter 4 and stress the importance of creating timelines for
every problem that involves cash flows.
- Include a timeline as the critical first step in each example involving cash flows.
- Incorporate financial calculator keystrokes and Excel techniques into the presentation.

Focus on Capital Budgeting

The capital budgeting decision is one of the most important decisions in corporate finance.
We emphasize it early in the textbook, by introducing the NPV rule in Chapter 3 to weigh
the costs and benefits of a decision. Building on this coverage of the NPV rule, Chapter 7
evaluates this and other investment decision rules. In Chapter 8 on capital budgeting, we
examine the valuation of projects within a firm and provide a clear and systematic pre-
sentation of the difference between earnings and free cash flow. This early introduction to
capital budgeting allows us to present the idea of the cost of capital conceptually, which
then motivates the risk and return coverage. In Chapter 12, we calculate and use the firm’s
overall cost of capital with the WACC method.
New Ideas

Fundamentals of Corporate Finance carefully balances the latest advancements in research and practice with thorough coverage of core finance topics. Innovations that distinguish this textbook include the following:

◗ Chapter 9 on stock valuation values a firm’s equity by considering its future dividends, free cash flows, or how its value compares to that of similar, publicly traded companies.

◗ Chapter 16 on payout policy examines the role of asymmetric information between managers and investors and how payout decisions may signal this information.

◗ Chapter 17 distinguishes between sustainable and value-increasing growth with a focus on determining whether “growth” will increase or decrease the value of the firm.

The Tools Your Students Need to Succeed

Pages xxvi–xxix detail the features we crafted to enhance students’ ability to master the core concepts. Two areas stand out.

Problem-Solving Methodology

Guided Problem Solutions (GPS) of worked examples appear along side every important concept. Finance is about much more than the numerical solution: To be successful, students must understand the underlying intuition and interpret the mathematical solution. To foster this mindset, after the problem statement a three-step solution process—Plan, Execute, Evaluate—aids students’ comprehension and models the process they should follow when tackling problems and cases on their own. We also identify the seminal errors our students have made over the years in Common Mistake boxes within each chapter.

Applied Approach

References to well-known companies, such as Apple, Air Canada, and Starbucks, add color and interest to each chapter. We even include two case-based chapters (13 and 14) that profile RealNetworks and Hertz. Chapter conclusions offer bottom-line advice on the key take-away points for financial managers. Interviews with notable professionals such as John Connors, former Microsoft CFO, support this practical perspective. We take the interviews beyond the boardroom and into the trenches with profiles of recent college graduates using the concepts in their professional lives in every chapter opener.

An applied approach also involves presenting the tools on which practitioners rely. Excel boxes and chapter-ending appendices teach students Excel techniques, while designated Spreadsheet Tables available online enable students to enter their own inputs and formulas.

New to the First Canadian Edition

A Canadian text should reflect Canadian realities and show how they fit in the bigger world picture. For instance, the institutional environment in Canada is different. While Canadian banks came out of the financial crisis with great admiration for their
performance relative to banks around the world, Canada’s success at corporate law enforcement (laws relating to competition, insider trading, options backdating, and other aspects of corporate governance) is sometimes criticized relative to other developed countries. The Canadian tax system also differs from the US and other countries. It would be a pity if students were only exposed to the US tax system and missed the realities of capital cost allowance, capital gains taxes, tax free savings accounts, and registered retirement savings plan accounts – all of which are very important for Canadian investors. We feel it is important for students to understand the Canadian system but to also be able to understand that other systems exist too. Other countries’ institutional systems may be better or worse than what exists in Canada. We believe it is especially important to point out where other systems seem better than what exists in Canada because our students will go on to be business and political leaders and may be the instruments to push for change in Canada that will make us stronger.

David Stangeland and Jerrod Falk are also proud Canadians and we celebrate the great success stories that have emerged in Canadian business. We also recognize some stories of failure and rebirth that have taken place. As such, we feature Canadian businesses in the text when they make suitable examples. A side benefit for students of this is that they can learn about some Canadian corporate history and become more familiar with the firms that may eventually be their employers. We do not exclude non-Canadian businesses. For example, when we want to look at the dominance of the corporate form in terms of business revenue in the world, there is only one largest company, Wal-Mart, so it has its place in the text. Again, though, when appropriate, we bring in Canadian corporations and their relative position for comparative purposes. Many firms not headquartered in Canada are so familiar and important to Canadians it would be foolish to exclude them when they make good examples. Apple and Starbucks are two of such firms.

An additional advantage of a Canadian text is that because Canada is a smaller player on the world scene than the US, Canadians must think more internationally. Thus, the Canadian edition has more of an international focus than the original US edition.

Table of Contents Overview

Fundamentals of Corporate Finance offers coverage of the major topical areas for introductory-level undergraduate courses. Our focus is on financial decision making related to the corporation’s choice of which investments to make or how to raise the capital required to fund an investment. We designed the book with the need for flexibility and with consideration of time pressures throughout the semester in mind.

Part 1: Introduction

Ch. 1: Corporate Finance and the Financial Manager
Ch. 2: Introduction to Financial Statement Analysis

Includes Canadian business-forms, taxes, and market information. Also an enhanced discussion of stakeholder view compared to shareholder wealth maximization view.

Introduces CCA with depreciation discussion and includes reference to SEDAR for Canadian public company filings. Includes discussion of the impact of the Sarbanes-Oxley Act, specifically how changes resulted in Canada that are different than in the U.S.
Part 2: Interest Rates and Valuing Cash Flows
Ch. 3: The Valuation Principle: The Foundation of Financial Decision Making
Ch. 4: NPV and the Time Value of Money
Ch. 5: Interest Rates
Ch. 6: Bonds

Part 3: Valuation and the Firm
Ch. 7: Investment Decision Rules
Ch. 8: Fundamentals of Capital Budgeting
Ch. 9: Valuing Stocks

Part 4: Risk and Return
Ch. 10: Risk and Return in Capital Markets
Ch. 11: Systematic Risk and the Equity Risk Premium
Ch. 12: Determining the Cost of Capital

Part 5: Long-Term Financing
Ch. 13: Raising Equity Capital
Ch. 14: Debt Financing

Part 6: Capital Structure and Payout Policy
Ch. 15: Capital Structure
Ch. 16: Payout Policy

Part 7: Financial Planning and Forecasting
Ch. 17: Financial Modeling and Pro Forma analysis
Ch. 18: Working Capital Management
Ch. 19: Short-Term Financial Planning

Part 8: Special Topics
Ch. 20: Option Applications and Corporate Finance

Enhanced discussion of arbitrage with reference to the economic forces of supply and demand.
Comprehensive time value coverage including growing annuities and perpetuities and why they are relevant.
Integrates a hypothetical project of RIM as an example throughout the chapter. Full CCA coverage is included.
Builds on capital budgeting by valuing the claim to a firm’s free cash flows. Also addresses market efficiency and behavioural finance.
Calculates and uses the firm’s overall costs of capital and the WACC method.
Understand private and public equity and debt financing, covenants, and repayment options.
These chapters start with perfect markets and then show how market imperfections, such as agency costs and asymmetric information, can influence financial policy.
Forecasting and managing cash needs on a short-term basis are discussed.
Both payoffs and profits of options are discussed. Option valuation and the application to corporate finance is included.
Ch. 21: Risk Management
Ch. 22: International Corporate Finance
Ch. 23: Leasing
Ch. 24: Mergers and Acquisitions

Online Chapter
Ch. 25: Corporate Governance

Parts 1 and 2 lay the foundation for our study of corporate finance. In Chapter 1, we introduce the corporation and related business forms. We then examine the role of financial managers and outside investors in decision making for the firm. Chapter 2 reviews basic corporate accounting principles and the financial statements on which the financial manager relies.

Part 2 presents the basic tools that are the cornerstones of corporate finance. Chapter 3 introduces the Valuation Principle, which underlies all of finance and links all of the ideas throughout this book. Chapter 4 on the time value of money analyzes cash flow streams lasting several periods. We explain how to value a series of future cash flows and derive shortcuts for computing the present value of annuities and perpetuities. We focus on how interest rates are quoted and determined in Chapter 5, with an emphasis on how to use market interest rates to determine the appropriate discount rate for a set of cash flows. In Chapter 6, we demonstrate an application of the time value of money tools using interest rates: valuing the bonds issued by corporations and governments.

Part 3 addresses the most important decision financial managers face: the choice of which investments the corporation should make, driving the value of the firm. Chapter 7 presents the investment decision rules that guide a financial manager’s decision making. In Chapter 8 on capital budgeting, we outline estimating a project’s incremental cash flows, which then become the inputs to the NPV decision rule. Capital budgeting decisions determine value creation in the firm, so Chapter 9 turns to valuing the ownership claim in the firm—its stock. After valuing a firm’s equity with various methods, we discuss market efficiency and its implications for financial managers.

Part 4 looks at the critical concept of risk and return. We explain how to measure and compare risks across investment opportunities to determine the cost of capital for each investment opportunity. Chapter 10 introduces the key insight that investors only demand a risk premium for non-diversifiable risk. In Chapter 11, we quantify this idea, leading to the Capital Asset Pricing Model (CAPM). In Chapter 12, we apply what we’ve learned to estimate a company’s overall weighted average cost of capital.

Part 5 shows how the firm raises the funds it needs to undertake its investments. We explain the mechanics of raising equity in Chapter 13 and debt markets in Chapter 14 (where we also continue the institutional overview of bond markets that
began in Chapter 6). Part 6 on capital structure builds on this foundation by examining the impact of financing choices on the value of the firm. Chapter 15 on capital structure opens by intuitively establishing the Modigliani and Miller result and then turns to the impact of important market imperfections. Payout policy is the focus of Chapter 16.

Part 7 turns to the details of running the financial side of a corporation on both a long-term and day-to-day basis. Chapter 17 develops the tools to forecast the cash flows and long-term financing needs of a firm. In Chapter 18 we discuss how firms manage their working capital requirements, while Chapter 19 explains how firms finance their short-term cash needs.

Part 8 addresses select special topics in corporate finance. Chapter 20 introduces options; Chapter 21 then focuses on the corporation’s use of options, futures, forwards, insurance and other methods to manage risk. Chapter 22 examines the issues a firm faces when making a foreign investment, including exchange rate risk, and addresses the valuation of foreign projects. Chapter 23 introduces an alternative to long-term debt financing, leasing. By presenting leasing as a financing alternative, we apply the Law of One Price to determine that the benefits of leasing must derive from the tax differences, incentive effects, or other market imperfections. The Law of One Price continues to provide a unifying framework as we consider the topics of Mergers and Acquisitions in Chapter 24 and Corporate Governance in Chapter 25.

A Complete Instructor and Student Support Package

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MyFinanceLab—the moment you know.

Videos

Video clips available in MyFinanceLab profile firms through interviews and analysis. The videos focus on core topical areas such as capital budgeting and feature well-known companies.

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The Instructor’s Resource CD-ROM [0321548728] includes the following instructor supplements:

- The **Solutions Manual** provides students with detailed, accuracy-verified solutions to the problems in the book. The solutions, like the problems, were written by the authors themselves. Each solution has been scrutinized for accuracy and quality and is presented in the same Guided Problem Solution framework introduced in the text. Spreadsheet solutions in Excel®, which allow the student to see the effect of changes in the input variables on the outcome, are also available to instructors for designated problems on the Instructor’s Resource CD-ROM. The Solutions Manual also includes solutions to the Data Cases and Integrative Cases, as well as answers to the Review Questions and Critical Thinking Questions in the textbook.

- The **PowerPoint Presentation**, authored by Anas Aboulamer at Concordia University, is available in lecture form and includes art and tables from the book and additional examples. The PowerPoint materials, including all tables and figure files, examples, key terms, and spreadsheet tables from the text are also available in a separate Image Bank for professors to build into their personal PowerPoint presentations.

- The **Test Bank**, authored by Ron Mackinnon at the University of British Columbia, provides a wealth of accuracy-verified testing material. Each chapter offers a wide variety of true/false, short answer, and multiple-choice questions. Questions are verified by difficulty level and skill type, and correlated to the chapter topics. Every question in the Test Bank is also available in TestGen® software for both Windows® and Macintosh® computers. This easy-to-use testing software is a valuable test preparation tool that allows professors to view, edit, and add questions.

- The **Instructor’s Manual** was written by Bill Fletcher at St. Mary’s University, and contains chapter outlines and overviews, lecture launchers, further questions for class discussion, and the answers to the practitioner interview questions found in the book. The Instructor’s Manual is included on the Instructor’s Resource CD-ROM and is also available for download as Microsoft® Word files or as Adobe® PDF files from the Instructor Resource Center.
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Acknowledgments

Given the scope of this project, identifying the many people who made it happen is a tall order. This textbook was the product of the expertise and hard work of many talented colleagues. We are especially gratified with the work of those who developed the array of print supplements that accompany the book: Ron Mackinnon for the Test Bank; Bill Fletcher, for the Instructor’s Manual; Anas Aboulamer, for the PowerPoint lecture notes; and our MyFinanceLab content development author, Therese Trainor. We’re also deeply appreciative of Dennis Ng’s work conducting the lively interviews with recent graduates that open each chapter.

At Pearson Education Canada, we would like to thank

▸ Vice President, Editorial Director, Gary Bennett
▸ Editor-in-Chief, Nicole Lukach
▸ Acquisitions Editor, Claudine O’Donnell
▸ Senior Marketing Manager, Leigh-Anne Graham
▸ Developmental Editor, Toni Chahley
▸ Project Managers, Sarah Lukaweski, Rachel Thompson
▸ Production Editor, Vasundhara Sawhney
▸ Designer, Anthony Leung
▸ Proofreader, Audrey Dorsch

We are indebted to our colleagues for the time and expertise invested as manuscript reviewers. The sound guidance from these trusted advisors throughout the writing process was truly invaluable. We strived to incorporate every contributor’s input and are truly grateful for each comment and suggestion. The book has benefited enormously from this input.

Reviewers for the First Canadian Edition

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