

WILLIAM MCNALLY  **STANLEY EAKINS**

CFO

CORPORATE FINANCE ONLINE

powered by **MyFinanceLab**

Managing Editor: Claudine O'Donnell
Marketing Manager: Jessica Saso
Program Manager: Joel Gladstone
Project Manager: Richard di Santo
Supervising Developmental Editor: John Lewis
Developmental Editor: Mignon Tucker, JD Brava360° Solutions
Lead Media Developer: Kelli Cadet
Media Content Editor: Ben Zaporozan

Production Services: Niraj Bhatt, Aptara®, Inc.
Permissions Project Manager: Joanne Tang
Photo Permissions Research: Zoe Milgram, Q2A/Bill Smith
Text Permissions Research: Anna Waluk, Electronic Publishing Services
Art Director: Zena Denchik
Cover Designer: Anthony Leung

Credits and acknowledgments borrowed from other sources and reproduced, with permission, in this textbook appear on the appropriate page within e-book or on this copyright page.

Original edition published by Pearson Education, Inc., Upper Saddle River, New Jersey, USA. Copyright © 2013 Pearson Education, Inc. This edition is authorized for sale only in Canada.

If you purchased this e-book outside the United States or Canada, you should be aware that it has been sold without the approval of the publisher or the author.

Image credits: H. -D. Falkenstein Image Broker/Newscom; © Chee-Onn Leong/Fotolia; © Natis/Fotolia; © picsfive/Fotolia; © Simon/Fotolia; © spyder24/Fotolia; Andrey Yurlov/Shutterstock; Andy Dean Photography/Shutterstock; egilshay/Shutterstock; ervstock/Shutterstock; Givaga/Shutterstock; Goodluz/Shutterstock; Ilona Baha/Shutterstock; justinasg/Shutterstock; Kletr/Shutterstock; Lightspring/Shutterstock; Lyudmyla Kharlamova/Shutterstock; Maryna Pleshkun/Shutterstock; Pixachi/Shutterstock; Pixel Embargo/Shutterstock; Richard Peterson/Shutterstock; SoleilC/Shutterstock; un kreativ/Shutterstock; Zvonimir Athletic/Shutterstock.

Copyright © 2015 Pearson Canada Inc. All rights reserved. This publication is protected by copyright and permission should be obtained from the publisher prior to any prohibited reproduction, storage in a retrieval system, or transmission in any form or by any means, electronic, mechanical, photocopying, recording, or likewise. To obtain permission(s) to use material from this work, please submit a written request to Pearson Canada Inc., Permissions Department, 26 Prince Andrew Place, Don Mills, Ontario, M3C 2T8, or fax your request to 416-447-3126, or submit a request to Permissions Requests at www.pearsoncanada.ca.

Many of the designations by manufacturers and sellers to distinguish their products are claimed as trademarks. Where those designations appear in this e-book, and the publisher was aware of a trademark claim, the designations have been printed in initial caps or all caps.



PREFACE TO THE STUDENT

Welcome to the first course in finance! Whether you are a business major or finance major or undecided, these course materials are unlike any that you have used in your postsecondary career. Throughout our combined 50+ years of teaching this introductory course, we noticed some dramatic changes in how you learn and how professors teach you. We created *Corporate Finance Online, Canadian Edition*, or *CFO*, to address these sweeping changes in the teaching and learning process.

Technology: Transforming the Way You Learn

Your time outside of class is spent gaming, surfing the Internet, and reading updates on Facebook or Twitter. Whether you realize it, these pastimes directly impact your interest level or *engagement* in the learning process. Textbooks today are increasingly more multimedia oriented, but not at the same level of sophistication as the technology you use in your free time. We created *CFO* to remedy your “engagement deficit” so that we could maximize your interest in the learning process.

When creating *CFO*, we weighed carefully which type of multimedia would best communicate and assess the information that you need to know.

Solution Tools: Learn Your Way

For example, a lot of time is spent teaching you the key mathematical concepts in finance and not much time is left for teaching the application. Therefore, the solution tools that accompany each Example are videos. The use of videos allows for repetition so that you master the mathematical concepts by replaying the video until you understand the concept. We offer the Example solutions three ways, using a calculator, Excel, or algebra. This flexibility allows you to learn according to your preferred learning style. Additionally, if you diligently use these videos, class time can be used to teach you how to apply these concepts to issues in the world of finance.

Example 8.2 Valuation of Common Shares after Holding for One Period

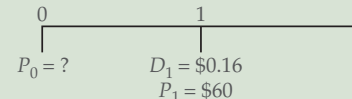


Find the price of the Intel shares given the figures reported on the previous page. You will need to know the required return of shareholders to find the present value of the cash flows. Assume that you would be satisfied to earn 12% on the shares.



SOLUTION

Begin by preparing a timeline:



Putting the numbers into Eq. 8.2 yields the following:

$$P_0 = \frac{D_1}{(1+k)} + \frac{P_1}{(1+k)}$$

$$P_0 = \frac{\$0.16}{(1+0.12)} + \frac{\$60}{(1+0.12)}$$

$$P_0 = \$0.14 + \$53.57 = \$53.71$$

Animations: Learning the Meaning Behind the Math

Oftentimes, you memorize “how to plug numbers into equations” but don’t understand the meaning behind the equations. We used two different media elements as a remedy to this tendency. First, we created animations, called Explore Its, that allow you to manipulate the primary financial equations. In addition, we created videos, called Explain Its, that accompany each Explore It and explain the main insights that you should take away from the equations. These animations, combined with the video explanations, are effective in remedying this gap in learning the “meaning behind the math.”

M&M Proposition 2: Debt and Required Return (with Taxes)

M&M Proposition 2 with taxes is similar to Proposition 2 without taxes. The cost of equity is an increasing function of leverage.



$$k_E = k_U + (k_U - k_D)(1 - T) \frac{D}{E} \quad \text{Eq. 12.13}$$

Proposition 2 shows that the required return of shareholders of a levered company, k_E , increases in direct proportion to the debt-equity ratio, expressed in market values. The rate of increase is equal to $(k_U - k_D) \times (1 - T)$. As leverage increases, the required return of bondholders is constant and the required return of shareholders rises. However, the return of shareholders rises more slowly than in the case with no corporate taxes and so the WACC declines as leverage increases. You can see this in the Explore It. Notice how the WACC line declines slowly as the debt-equity ratio rises. *Tip

Self-Tests: Engagement in and Understanding the Reading



Most of you receive your information from the Internet. Whether you realize it or not, information is broken down into screen-sized chunks of information. We wrote *CFO* to address this flow of information and also placed self-tests at critical points in the chapter. If you cannot answer the question, do the math, or understand the animation in the self-tests, then you are immediately alerted that your grasp of the assigned material is lacking. Do not skip these unassigned activities! These self-tests will help you with your class and exam preparation and, ultimately, your success in this course.

It's Time to Do a Self-Test

3. If the expected return on an asset is 12% and the required return is 11%, should you buy it?
[Algebraic Answer](#) [Excel Answer](#) [Calculator Answer](#)
4. What is the expected return for a security if there's a 40% probability of returning 10% and a 60% probability of returning 20%? [Algebraic Answer](#) [Excel Answer](#) [Calculator Answer](#)
5. Practise computing the expected return. [Answer](#)

Chapter Summary: All-in-One Study Aid

Each chapter contains a summarized version of the key concepts, equations, terms, and solution tools videos as well as the corresponding homework in MyFinanceLab. By aggregating this information, you can review the chapter concepts and immediately go to the areas of *CFO* that will help you clarify your understanding.

Concepts You Should Know	Key Terms and Equations	Solution Tools	Extra Practice MyFinanceLab
LO2 Learn about Non-diversifiable Risk	beta, marginal risk, characteristic line		Study Plan 6.LO2
	$\beta_i = \frac{COV(k_i, k_M)}{\sigma_M^2} \quad \text{Eq. 6.3}$	Estimating Beta 	
	$\beta_p = w_1\beta_1 + \dots + w_n\beta_n \quad \text{Eq. 6.4}$	Portfolio Betas 	
LO3 Learn about the Relationship between Non-diversifiable Risk and Return	portfolio-possibility lines, Treynor Index, buying on margin, long, short, security market line (SML)		Study Plan 6.LO3

MyFinanceLab

CFO is integrated with MyFinanceLab, Pearson's online assessment and tutorial software, where you practise what you have learned. The topic and chapter problems are accompanied by learning aid video tutorials drawn from *CFO*'s solution tools videos so that if you need additional help with the homework you will have a video learning aid to walk you through an exercise or problem similar to your homework. Additionally, all topic and chapter exercises and problem sets will be automatically graded and loaded into your instructor's MyFinanceLab gradebook.

We hope that *CFO* not only transforms you into an active, engaged learner, but motivates you to continue your studies in finance.

Best of luck in your first course in finance,

Stan Eakins

Will McNally



PREFACE TO THE INSTRUCTOR

Welcome to *Corporate Finance Online, Canadian Edition (CFO)*! Whether you are a first year or experienced professor of finance, these course materials are unlike any that you have used in your career. Throughout our combined 50+ years of teaching this introductory course, we noticed some dramatic changes in how students learn and how you teach the course.¹ We created *Corporate Finance Online* to address these sweeping changes in the teaching and learning process.

Technology: Transforming Learning

Students' time outside of class is spent gaming, surfing the Internet, and reading updates on Facebook or Twitter. These student pastimes directly impact their interest level or *engagement* in the learning process. Textbooks are increasingly more multimedia rich but not at the same level of sophistication as the technology that students use in their free time. We created *CFO* to remedy that "engagement deficit" so that we could maximize students' interest in learning finance.

¹Cudd, M., Tanner, J., and Lipscomb, T. (2004). A Profile of Classroom Technology Usage in Finance Instruction. *Journal of Financial Education*. 30(Spring), 28–40.

When creating *CFO*, we weighed carefully which type of multimedia would best communicate and assess the information that students need to know and how you want to teach them. We use technology to make learning finance as easy and fun as possible.

Solution Tools: Flexible Learning and Teaching Styles

For example, a lot of time is spent teaching students the key mathematical concepts in finance and not much time is left for teaching the application. Therefore, the solution tools that accompany each Example are videos. The use of videos allow for repetition so that students can master the mathematical concepts by replaying the video until they understand the concept. We offer the solution tools videos three ways, using a calculator, Excel, or algebra. This flexibility allows for teaching students your preferred method and caters to different student learning styles. Additionally, if students diligently use these videos, your class time can be used to teach students how to apply these concepts to issues in the world of finance.

Example 8.2 Valuation of Common Shares after Holding for One Period

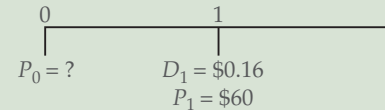


Find the price of the Intel shares given the figures reported on the previous page. You will need to know the required return of shareholders to find the present value of the cash flows. Assume that you would be satisfied to earn 12% on the shares.



SOLUTION

Begin by preparing a timeline:



Putting the numbers into Eq. 8.2 yields the following:

$$P_0 = \frac{D_1}{(1 + k)} + \frac{P_1}{(1 + k)}$$

$$P_0 = \frac{\$0.16}{(1 + 0.12)} + \frac{\$60}{(1 + 0.12)}$$

$$P_0 = \$0.14 + \$53.57 = \$53.71$$

Animations: Teaching the “Meaning Behind the Math”

Oftentimes, students memorize “how to plug numbers into equations” but don’t understand the meaning behind the equations. We use two different media elements as a remedy to this tendency. First, we created animations, called Explore Its, that allow students to manipulate the primary financial equations. In addition, we created videos, called Explain Its, that accompany each Explore It and explain the main insights that students should take away from the equations. These animations combined with the video explanations are effective in remedying this gap in learning the “meaning behind the math.”

M&M Proposition 2: Debt and Required Return (with Taxes)

M&M Proposition 2 with taxes is similar to Proposition 2 without taxes. The cost of equity is an increasing function of leverage.



$$k_E = k_U + (k_U - k_D)(1 - T) \frac{D}{E} \quad \text{Eq. 12.13}$$

Proposition 2 shows that the required return of shareholders of a levered company, k_E , increases in direct proportion to the debt-equity ratio, expressed in market values. The rate of increase is equal to $(k_U - k_D) \times (1 - T)$. As leverage increases, the required return of bondholders is constant and the required return of shareholders rises. However, the return of shareholders rises more slowly than in the case with no corporate taxes and so the WACC declines as leverage increases. You can see this in the Explore It. Notice how the WACC line declines slowly as the debt-equity ratio rises. ***Tip**

Self-Tests: Empowering Student Understanding

Most students receive most of their information from the Internet. The information flow is broken down into screen-sized chunks of information. We wrote *CFO* to address this new flow of reading but we also addressed students' reading comprehension by placing self-tests at critical points in the chapter. If students cannot answer the question, do the math, or understand the animation in the self-tests, then they are immediately alerted that their grasp of the assigned material is lacking. These self-tests empower the student to take responsibility for their class preparation.



It's Time to Do a Self-Test

3. If the expected return on an asset is 12% and the required return is 11%, should you buy it?
[Algebraic Answer](#) [Excel Answer](#) [Calculator Answer](#)
4. What is the expected return for a security if there's a 40% probability of returning 10% and a 60% probability of returning 20%? [Algebraic Answer](#) [Excel Answer](#) [Calculator Answer](#)
5. Practise computing the expected return. [Answer](#)

Chapter Summary: Andragogical Learning

Since the mid-1990s, studies have shown that students are evolving to *reference learners* in the introduction to finance course.² In response to this learning transformation from a pedagogical (teacher led) to an andragogical (self-directed, problem-centred, and applied) learning model, we created *CFO* and refined the content to its essence in the chapter summary feature. Each learning objective is listed with the corresponding key terms, equations, solution videos, and accompanying homework. Based on their study plan and using this chapter overview, students can efficiently focus on where they need to spend their study time. This chapter summary provides a tool to plan your lecture and assignments.

²Cudd et al. (2004).

Concepts You Should Know	Key Terms and Equations	Solution Tools	Extra Practice MyFinanceLab
LO2 Learn about Non-diversifiable Risk	beta, marginal risk, characteristic line		Study Plan 6.LO2
	$\beta_i = \frac{COV(k_i, k_M)}{\sigma_M^2} \quad \text{Eq. 6.3}$	Estimating Beta 	
	$\beta_p = w_1\beta_1 + \dots + w_n\beta_n \quad \text{Eq. 6.4}$	Portfolio Betas 	
LO3 Learn about the Relationship between Non-diversifiable Risk and Return	portfolio-possibility lines, Treynor Index, buying on margin, long, short, security market line (SML)		Study Plan 6.LO3

MyFinanceLab

CFO is integrated with MyFinanceLab, Pearson's online assessment and tutorial software, where students can practise what they have learned. The topic and chapter problems are accompanied by learning aid video tutorials drawn from *CFO*'s solution tools videos so that students who need additional help on the homework will have learning aids to help them. Additionally, all topic and chapter exercises and problem sets will be automatically graded and loaded into your MyFinanceLab gradebook.

CFO: Teaching Students Your Way

With innovation comes change, and change can be challenging. We needed to learn to teach students using the technological sophistication that they are used to while still achieving our goals for the course. We made this transition and designed instructional materials with your needs in mind. We offer you class-tested supplements that will help you effectively leverage all of *CFO*'s dynamic and interactive technology for your teaching needs.

Instructor's Resource Guide

While offering the traditional elements of an instructor's resource guide, we also added elements to help you transition to using all online materials efficiently and effectively. Our instructor resource guide offers:

- APPLY IT! activities that can be used for assignments or in-class exercises to illustrate how to apply the chapter concepts using real-world examples.
- an index to and summaries of all the videos available in *CFO*.
- an index to all self-tests and topic and chapter homework.
- chapter overview and summary.
- pre- and post-tests located in MyFinanceLab and duplicated for your reference.

PowerPoint® Presentations

Engage your students during your class lecture using the powerful learning and multimedia assets of *CFO*. The PowerPoint presentations provide a lecture outline, which ensures that you cover all chapter concepts during your chapter lecture. In the notes section of the slides, you will find page references to key videos and animations that you can use to fully implement the rich multimedia assets of *CFO* during your lecture.

Test Bank

Hundreds of questions, which we wrote and have used in our classes as well as class testers during the development of *CFO*, will give you plentiful options for assessing your students. Each question is classified by learning outcome and difficulty level for not only your course but also for AACSB standards.

Solutions Manual

Solutions that we wrote provide the detail that you need to fully explain the solutions to all the topics and end-of-chapter exercises and problems.

We hope that *CFO* not only transforms your students into active, engaged learners, but also motivates them to continue their studies in finance.

Thank you once again for choosing *Corporate Finance Online*.

Sincerely,

Stan Eakins

Will McNally

Acknowledgments

We gratefully acknowledge our colleagues' time and insights in helping us create *CFO*:

Canadian Edition Reviewers

Alym Amlani, *Kwantlen Polytechnic University*
Susan Kelsall, *Humber College Institute of Technology and Advanced Learning*

Mahesh Kumar, *Camosun College*

Fabio Moneta, *Queen's University*

Maria Pacurar, *Dalhousie University*

Muz Parkhani, *York University*

Eloisa Perez, *Grant MacEwan University*

Mohammadmorteza Sajedian, *Grant MacEwan University*

Igor Semenenko, *Acadia University*

Tatyana Sokolyk, *Brock University*

Lewis Stevenson, *Brock University*

Alireza Talebi, *Grant MacEwan University*

Vijay Vishwakarma, *St. Francis Xavier University*

Mark Weaver, *Sheridan College*

Jun Yang, *Acadia University*

Jun Zhou, *Dalhousie University*

Editorial Board

Carol Boyer, *Long Island University-CW Post*

Thomas Coe, *Quinnipiac University*

Robert Donchez, *University of Colorado-Boulder*

Jim Estes, *California State University-San Bernardino*

Steve Johnson, *Sam Houston State University*

Ken O'Brien, *Farmingdale State*

Rhonda Tenkku, *University of Missouri-St. Louis*

Gwendolyn Webb, *Baruch College*

Jeff Whitworth, *University of Houston-Clear Lake*

Content Reviewers

Ahmed Al-Asfour, *Oglala Lakota*

Michael H. Anderson, *University of Massachusetts-Dartmouth*

Curt Bacon, *Southern Oregon University*

Karen Barr, *Penn State University-Beaver Campus*

Eric Blazer, *Millersville University*

Elizabeth Booth, *Michigan State University*

Mike Bowyer, *Montgomery Community College*

Carol Boyer, *Long Island University-CW Post*

Fritz Burkhardt, *Champlain College*

Deanne Butchey, *Florida International University*

Chuck Chahyadi, *Eastern Illinois University*

Meg Clark, *Cincinnati State Technical and Community College*

Thomas Coe, *Quinnipiac University*

Nandita Das, *Delaware State University*

Kate Demarest, *Carroll Community College*

Alexander Deshkovski, *North Carolina Central University*

Vern Disney, *University of South Carolina-Sumter*

Robert Donchez, *University of Colorado-Boulder*

Anne Drougas, *Dominican University*

Barbara Edington, *St. Francis College*

Susan Emens, *Kent State University-Trumbull*

Ted Eschenbach, *University of Alaska Anchorage*

Jim Estes, *California State University-San Bernardino*

Dov Fobar, *Brooklyn College/CUNY*

Alex Gialanella, *Manhattanville College*

Scott Gibson, *College of William and Mary Mason School of Business*

Ann Gillette, *Kennesaw State University*

Kimberly Goodwin, *University of Southern Mississippi*

Rachel Graefe-Anderson, *College of Charleston*

TeWhan Hahn, *Auburn University at Montgomery*

Mahfuzul Haque, *Scott College of Business, Indiana State University*

Wei He, *Mississippi State University*

Peter Holland, *Napa Valley College*
 Susan Hume, *The College of New Jersey, School of Business*
 Ed Hutton, *Niagara University*
 Roger Ignatius, *Lane College*
 Robert Irons, *Dominican University*
 Thad Jackson, *University of Alabama*
 Benjamas Jirasakuldech, *Slippery Rock University of Pennsylvania*
 Raymond Johnson, *Auburn University Montgomery*
 Steve Johnson, *Sam Houston State University*
 Travis Jones, *Florida Gulf Coast University*
 Samuel Kohn, *Touro College*
 Lynn Kugele, *University of Mississippi*
 Manoj Kulchania, *Marquette University*
 Adam Lei, *Midwestern State University*
 Qian Li, *Midwestern State University*
 John Masserwick, *Farmingdale State*
 Denny McGarry, *Lake Erie College*
 Jill Merle, *Anderson University*
 Clay Moffett, *University of North Carolina Wilmington*
 Dianne Morrison, *University of Wisconsin-La Crosse*
 Christian Ola, *Waynesburg University*
 Ohannes Paskelian, *University of Houston-Downtown*
 Michael Phillips
 Shoba Premkumar, *Iowa State University*
 Charles Reback, *University of South Carolina-Upstate*

Jennifer Schneider, *Gainesville State College*
 Adam Schwartz, *Washington and Lee University*
 Sudhir Singh, *Frostburg State University*
 Steven Slezak, *Cal Poly, San Luis Obispo*
 Diana Tempski, *University of Wisconsin-La Crosse*
 Rhonda J. Tenkku, *University of Missouri-St. Louis*
 Gwendolyn Webb, *Baruch College/CUNY*
 Shelton Weeks, *Florida Gulf Coast University*
 Eric Wehrly, *Seattle University*
 Michael Welker, *Franciscan University of Steubenville*
 Jeff Whitworth, *University of Houston-Clear Lake*
 Benjamin Woodruff, *Shelton State Community College*
 Jie Yang, *Georgetown University*
 Brian Young, *Mississippi State University*

Class Test Participants

Tom Arnold, *University of Richmond*
 John Banko, *University of Florida*
 Eugene Bland, *University of Texas-A&M*
 Brian Boscaljon, *Pennsylvania State University-Erie*
 Carol Boyer, *Long Island University-CW Post*
 Fritz Burkhardt, *Champlain College*
 Chuck Chahyadi, *Eastern Illinois University*
 Thomas Coe, *Quinnipiac University*
 John F. DeStefano, *Palm Beach State College*

Robert Donchez, *University of Colorado-Boulder*
 Susan Emens, *Kent State University*
 Ted Eschenbach, *University of Alaska-Anchorage*
 Jim Estes, *California State University-San Bernardino*
 Alex Gianella, *Manhattanville College*
 Sudip Gosh, *Pennsylvania State University*
 Axel Grossman, *Radford University*
 TeWahn Hahn, *Auburn University*
 Wei He, *Mississippi State University*
 Ed Hutton, *Niagara University*
 Roger Ignatius, *Lane College*
 Steve Johnson, *Sam Houston State University*
 Phyllis Y. Keys, *Morgan State University*
 John Masserwick, *Farmingdale State College*
 Denny McGarry, *Lake Erie College*
 Jill Merle, *Anderson University*
 Ken O'Brien, *Farmingdale State*
 Ohannes Paskelian, *University of Houston-Downtown*
 Annette Poulsen, *University of Georgia*
 Dr. Robert Prati, *East Carolina University*
 Shoba Premkumar, *Iowa State University*
 Dean Smith, M.B.A., *East Carolina University*
 Michael J. Sullivan, *University of Nevada-Las Vegas*
 Rhonda Tenkku, *University of Missouri-St. Louis*
 Gopala Vaseduvan, *University of Massachusetts-Dartmouth*

Mark Weitzel, *East Carolina University*
 Jeff Whitworth, *University of Houston-Clear
 Lake*

Benjamin R. Woodruff, *University of
 Alabama*

Alex T. K. Tan, *University of Tampa*

Focus Group Participants— Spring 2012

H. Kent Baker, *American University, Kogod
 School of Business*

Steve Beach, *Radford University*

Eugene Bland, *Texas A&M University-Corpus
 Christi*

John DeStefano, *Palm Beach State College*

Michael J. Driscoll, *Adelphi University*

Dan Ervin, *Salisbury University*

Joe Farinella, *University of North Carolina
 Wilmington*

Keith Fevurly, *Metropolitan State College of
 Denver*

Tom Geurts, *The George Washington University*

Sudip Ghosh, *Pennsylvania State University-
 Berks Campus*

Edward Graham, *University of North Carolina
 Wilmington*

Axel Grossmann, *Radford University*

Mahfuzul Haque, *Scott College of Business,
 Indiana State University*

Rodrigo Hernandez, *Radford University*

Biqing Huang, *Angelo State University*

Travis Jones, *Florida Gulf Coast University*

Gary Kayakachoian, *University of Rhode
 Island*

Phyllis Keys, *Morgan State University*

Hao Lin, *California State University-Sacramento*

Wei Liu, *Texas A&M University*

Richard Marcus, *University of
 Wisconsin-Milwaukee*

Stefano Mazzotta, *Kennesaw State University*

Pamela Morris, *Kaplan University*

Anastasios Moysidis, *Florida International
 University*

Ivelina Pavlova, *University of Houston-Clear
 Lake*

Gwendolyn Pennywell, *University of South
 Alabama*

Kuntara Pukthuanthong, *San Diego State
 University*

Gabriel Ramirez, *Kennesaw State University*

Charles Reback, *University of South Carolina
 Upstate*

Gregory Schiffl, *Harrison College*

Angela Seidel, *Cambria-Rowe Business
 College*

Michael Sullivan, *University of Nevada-Las
 Vegas*

Hongxia Wang, *Ashland University*

Brian Young, *Mississippi State University*

Student Class Test Participants— Spring 2012

Rebekah Ackerman, *University of
 Colorado-Boulder*

Thomas Adkins, *East Carolina University*

Yao Alate, *Champlain College*

Angelina Baklanov, *University of
 Alaska-Anchorage*

Dustin Baldwin, *University of Florida*

Brian Bates, *East Carolina University*

Abby Bender, *University of Missouri-Columbia*

Rebecca Benjamin, *University of
 Alaska-Anchorage*

Christopher Betts, *Mississippi State University*

Kevin Bloom, *The University of Texas at Austin*

Austin Bodouin, *Mississippi State University*

Michael Botos, *University of Florida*

Reilly Bourgeois, *Mississippi State University*

Patrice Boyd, *Eastern Illinois University*

Tyler Branch, *Farmingdale State College*

Hayley Briggs, *University of
 Massachusetts-Dartmouth*

Jacob Britton, *Sam Houston State University*

Mackenzie Brown, *University of Missouri*

Tyler Brown, *Eastern Illinois University*

Katie Busk, *University of Missouri Saint Louis*

Brittany Buzzell, *University of Alaska
 Anchorage*

Robert Calvesbert, *Mississippi State University*

Kimberly Caron, *Champlain College*
Michael Carr, *Sam Houston State University*
Christopher Carreon, *California State University-San Bernardino*
Lizeth Chavez, *California State University-San Bernardino*
Liwen Chen, *Iowa State University*
Rouna Chen, *Iowa State University*
Cheng Cheng, *Iowa State University*
Beibei Cheng, *Iowa State University*
Carolyn Chiappina, *East Carolina University*
Duc Chu, *University of Houston-Clear Lake*
Lakeisha Colbert, *University of Houston-Downtown*
Mikhail Conner, *Lane College*
Jenna Cook, *University of Missouri*
Sharlemagne Cook, *University of Alaska*
Tyler Coon, *University of Florida*
Matthew Corr, *Mississippi State University*
Regan Dagg, *Mississippi State University*
Nguyen Dang, *University of Houston-Clear Lake*
Josh Daughtry, *Mississippi State University*
Nina Davis, *Florida International University*
Emma De La Paz Aguirre, *California State University-San Bernardino*
Priscilla Delgado, *University of Houston-Clear Lake*
Joy Demmert, *University of Alaska-Anchorage*
Damon Devine, *Eastern Illinois University*
William Dietz, *Anderson University*
Mengyang Ding, *Auburn University at Montgomery*

Yi Ding, *Mississippi State University*
Cassandra Dins, *University of Missouri-Columbia*
Shuting Dong, *Iowa State University*
Tamikia Edwards, *East Carolina University*
Barrett Elliogg, *Quinnipiac University*
Julian Ellison, *Mississippi State University*
Brittany Erves, *Mississippi State University*
Kevin Farladansky, *University of Houston-Downtown*
Logan Farrington, *Iowa State University*
John Faulkenberry, *University of Missouri*
Rachael Field, *University of Missouri-Columbia*
Gilbert Flores, *University of Alaska-Anchorage*
Vito Furco, *Farmingdale State College*
Zinfira Gafurova, *Champlain College*
Blair Gallagher, *University of Houston-Clear Lake*
Thomas Gallant, *University of Missouri-St. Louis*
Brittany Game, *East Carolina University*
Jianbin Gao, *Iowa State University*
Vivian Garcia, *California State University-San Bernardino*
Edgar Garcia, *California State University-San Bernardino*
Alex Gellert, *University of Alaska-Anchorage*
Evelyn Gloria, *University of Houston-Clear Lake*
Patricia Golden, *California State University-San Bernardino*
Kimberly Gonzales, *University of Houston-Downtown*

Kari Goodchild, *Quinnipiac University*
William Green, *Mississippi State University*
Joshua Greene, *Lane College*
Jared Greenspan, *University of Florida*
Danielle Grigg, *University of Alaska-Anchorage*
Robin Grochowski, *East Carolina University*
Carley Gruver, *University of Colorado-Boulder*
Linda Guarnieri, *Farmingdale State University*
Kevin Gunkel, *Eastern Illinois University*
Peixuan Guo, *Iowa State University*
Nicholas Harris, *Mississippi State University*
Shinhye Heo, *University of Alaska-Anchorage*
Tiffany Hester, *Auburn University at Montgomery*
James Hight, *Mississippi State University*
Jesse Honrud, *University of Alaska-Anchorage*
Agiano Horace, *Sam Houston State University*
Apelety Hovi, *Iowa State University*
Christiana Howe, *University of Richmond*
Kelly Hurley, *Quinnipiac University*
DeAndre Jackson, *Sam Houston State University*
Jamie Jackson, *Sam Houston State University*
Caitlin Janicki, *East Carolina University*
Khiry Jenkins, *Lane College*
Darryl Johnson, *California State University-San Bernardino*
Julia Johnson, *East Carolina University*
Marcus Johnson, *Iowa State University*
Kristen Jones, *University of Colorado-Boulder*
Krystal Jones, *Auburn University at Montgomery*

Sara Jo Jones, *Mississippi State University*
Eddie Juarez, *University of Houston-Clear Lake*
Waianae Kahananui, *University of Alaska-Anchorage*
Keith Kaiser, *Long Island University*
Palma Kalmbach, *Mississippi State University*
Alireza Kazemi, *University of Florida*
Barrett Keith, *East Carolina University*
Dominique Kempen, *University of Alaska-Anchorage*
Henry Kiherile, *University of Houston-Downtown*
Lauren Klemke, *University of Alaska Anchorage*
Evan Kokolakis, *State University of New York at Farmingdale State College*
Ervin Kolic, *University of Missouri*
Christopher Kollenborg, *University of Alaska-Anchorage*
Emily Kroeker, *University of Alaska-Anchorage*
Yuxiang Lai, *Mississippi State University*
Nancy Landaverde, *University of Houston-Downtown*
Dillon Lane, *Champlain College*
Matt Lane, *Sam Houston*
Margaret Langston, *Sam Houston State University*
Antonio Lastre, *Mississippi State University*
Gabriel Lechuga, *California State University-San Bernardino*
Shakara Lesane, *East Carolina University*
Destinee Lester, *Sam Houston State University*

Andrea Leydon, *University of Alaska-Anchorage*
Jessica Lohmann, *University of Alaska-Anchorage*
Matthew Lovell, *East Carolina University*
Johnathan Lowe, *Lane College*
Bradley Lucas, *University of Alaska Anchorage*
Yina Ma, *California State University-San Bernardino*
Daniel Mays, *Mississippi State University*
Cameron McBride, *Mississippi State University*
Elizabeth McGee, *East Carolina University*
Corey McQueen, *Sam Houston State University*
Christopher Meek, *University of Houston-Clear Lake*
Mike Miller, *East Carolina University*
Natalie Miller, *California State University-San Bernardino*
Tyler Miller, *University of Missouri-St. Louis*
Virginia Mitchell, *Mississippi State University*
Xinkai Mo, *University of Massachusetts-Dartmouth*
Guadalupe Montelongo, *University of Houston-Downtown*
Jaron Moore, *Sam Houston State University*
LaQuenza Morgan, *Mississippi State University*
Kayde Mueller, *University of Houston-Downtown*
Melissa Myers, *Mississippi State University*
Noe Negrete, *Sam Houston State University*
Kim Nguyen, *California State University-San Bernardino*

Megan Nickerson, *University of Richmond*
Ina Niculita, *University of Florida*
George Nix, *Auburn University Montgomery*
Talitha ODonnell, *Kent State University-Trumbull*
James Offord, *Sam Houston State University*
Lance O'Neill, *University of Alaska-Anchorage*
Pablo Pacheco, *University of Florida*
Amanda Parkins, *Sam Houston State University*
Daniel Parra, *Sam Houston State University*
John Pastor-Raquel, *Champlain College*
Michellene Pennie, *University of Houston*
Zae Perrin, *East Carolina University*
Dylan Phillips, *University of Colorado-Boulder*
Daniel Pierantoni, *Eastern Illinois University*
Casey Pohl, *Sam Houston State University*
Natalie Poole, *University of Houston-Clear Lake*
Joliet Porter, *University of Houston-Clear Lake*
Alexandra Prenetta, *Quinnipiac University*
Aldin Puzic, *Champlain College*
Hailong Qin, *University of Massachusetts-Dartmouth*
Celene Quezada, *University of Houston-Clear Lake*
Paulino Ramirez, *California State University-San Bernardino*
Cristina Rangel, *University of Houston-Clear Lake*
Valerie Recendez, *University of Houston-Clear Lake*
James Reed, *Sam Houston State University*

Albert Reeves, *Mississippi State University*
 Deanna Reiheld, *Kent State University*
 Julia Resendiz, *University of Houston-Downtown*
 Timothy Retzer, *University of Alaska-Anchorage*
 Mrna Rodriguez, *California State University-San Bernardino*
 Barron Roger, *Lane College*
 Kelley Rojas, *University of Houston-Clear Lake*
 Ubaldo Romer, *University of Houston-Downtown*
 Elizabeth Romo, *California State University-San Bernardino*
 Jorge Rosas, *California State University-San Bernardino*
 Hyung guk Ryu, *Mississippi State University*
 Cristina Saenz, *Sam Houston State University*
 Feras Salem, *California State University-San Bernardino*
 Willie Sanders, *California State University-San Bernardino*
 Stephanie Sanes, *Farmingdale State College*
 Jacob Scebold, *Iowa State University*
 Tanner Schulze, *Sam Houston State University*
 Andrea Scortichini, *SUNY Farmingdale*
 Zachary Scott, *Mississippi State University*
 Jasmine Shepherd, *University of Houston-Clear Lake*
 Andrew Smith, *East Carolina University*
 Luke Smith, *University of Houston-Clear Lake*
 Xiaojie Song, *Iowa State University*

Michael Stephenson, *University of Houston-Clear Lake*
 Kadjidia Tapsoba, *Sam Houston State University*
 Allen Tessmer, *Iowa State University*
 Kenneth Thomas, *Kent State University*
 Raneshia Thomas, *Mississippi State University*
 Kaushal Tolia, *California State University-San Bernardino*
 Melissa Tolson, *University of Florida*
 Adrienne Travis, *University of Missouri-Columbia*
 Salvador Trevino, *University of Houston-Clear Lake*
 Tony Tsang, *Quinnipiac University*
 Brittany Tuosto, *Farmingdale State College*
 Jon Turner, *Sam Houston State University*
 Kimberly V., *University of Alaska-Anchorage*
 Tiffany Vance, *University of Houston-Clear Lake*
 Nicholas Vansandt, *Auburn University at Montgomery*
 Azat Vekilov, *Sam Houston State University*
 Juliana Velasquez, *University of Houston-Downtown*
 Claude Walls, *University of Houston-Downtown*
 Jodi Ward, *Sam Houston State University*
 Bryant Wesson, *Lane College*
 Andrew Whalen, *East Carolina University*
 Virginia Wirasnik, *Quinnipiac University*
 Dorian Wright, *Lane College*
 Xueying Yang, *Iowa State University*
 Yan Zhang, *Auburn University at Montgomery*

Yaqian Zheng, *Iowa State University*
 Xuefeng Zou, *Iowa State University*
 Lucas Zuber, *Eastern Illinois University*

Student Class Test Participants— Fall 2012

Tanya Ahmady, *The George Washington University*
 Yiyi Ao, *University of Florida*
 Jatin Arora, *Radford University*
 Katie Barron, *Radford University*
 Patrick Bekoe, *PhD Student*
 Michael Bekoe, *University of Florida*
 Jason Boatright, *University of Florida*
 Josh Crout, *Lake Erie College*
 Brittany Doran, *The George Washington University*
 Shannon Dougherty, *University of Florida*
 John Economos, *Iowa State University*
 David Ellis, *The George Washington University*
 Doug Fox, *Lake Erie College*
 Philip Gilbert, *Radford University*
 Chen Guo, *University of Florida*
 Chase Harrison, *Radford University*
 Carrie Hedrick, *Radford University*
 Josh Hill, *Iowa State University*
 Jennifer Horn, *University of Florida*
 Matthew Jacob, *University of Florida*
 Pulkit Jain, *University of Florida*
 Wen Ji, *University of Florida*
 Olajuwon Jones, *Radford University*

Joong Chul Kang, *The George Washington University*

Natalie Knight, *University of Florida*

Alyssa Kopervos, *The George Washington University*

Alicia Lalvani, *The George Washington University*

Yuan Li, *Long Island University*

Miaoting Lin, *University of Florida*

Hepeng Ling, *University of Florida*

Lan Luan

Xinxin Ma, *University of Florida*

Lauren Morgan, *Radford University*

Todd Morrill, *The George Washington University*

Eric Pearson, *Radford University*

Sarah Pommells, *Long Island University*

Rebecca Rakes, *Radford University*

Erin Rice, *University of Florida*

Arielle Rosmarino, *Radford University*

Hannah Ruark, *Radford University*

Qiongling Shen, *The George Washington University*

Ryan Skaria, *The George Washington University*

Blake Smith, *Radford University*

Kelly Jo Smith, *University of Florida*

Emilie Solomon, *The George Washington University*

Caleb Sturgis, *University of Florida*

Christopher Taing, *Radford University*

Brandon Walton, *Radford University*

Zhuo Wang, *University of Florida*

Danielle Williams, *University of Florida*

Chunchen Yao, *Long Island University*

Haiyang Zhao, *University of Florida*

Maohan Zhou

Shengjiu Zhu, *University of Florida*

We would also like to thank the Pearson team for their tireless devotion to and assistance in the creation of *CFO*, especially: Donna Battista, Tessa O'Brien, Katie Rowland, Mignon Worman Tucker, Kathleen McLellan, Jonathan Boylan, Nancy Freihofner, Elizabeth Cameron, James Bateman, Miguel Leonarte, Sarah Peterson, Elissa Senra-Sargeant, Michael Casey, Brian Nethercutt, Kevin Casey, Peter Cascone, and Jill Dougan.

We would also like to thank the Canadian team for their assistance in the creation of *CFO*, Canadian Edition: Claudine O'Donnell, Richard di Santo, Ben Zaporozan, Joanne Tang, John Lewis, Jessica Saso.

Dedication

This book is dedicated to my family, who has helped me through the trials and challenges of pioneering a new way of learning.

—STAN EAKINS

To Catherine for her patience and support. To John Bourbonniere and Chris Wasik for their creative genius in building the precursor to *CFO*.

—WILL MCNALLY