### Key Notation Used in the Text

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>MR</td>
<td>Marginal revenue</td>
</tr>
<tr>
<td>MVA</td>
<td>Market value added</td>
</tr>
<tr>
<td>n</td>
<td>Number of time periods</td>
</tr>
<tr>
<td>N</td>
<td>Number of rights required to purchase one share of stock</td>
</tr>
<tr>
<td>N(d)</td>
<td>Value of a cumulative normal density function in option value models</td>
</tr>
<tr>
<td>NAL</td>
<td>Net advantage to leasing</td>
</tr>
<tr>
<td>NCF</td>
<td>Net cash flow</td>
</tr>
<tr>
<td>NINV</td>
<td>Net investment</td>
</tr>
<tr>
<td>NPV</td>
<td>Net present value</td>
</tr>
<tr>
<td>NWC</td>
<td>Net working capital</td>
</tr>
<tr>
<td>O</td>
<td>Operating costs</td>
</tr>
</tbody>
</table>
| p      | (1) Probability of occurrence of a specific rate of return  
        (2) Price per unit |
| P<sub>net</sub> | Net proceeds to firm from the sale of a security |
| P<sub>t</sub> | Current stock price in option value calculations |
| P<sub>t</sub> | Price of a security at time period t |
| PB     | Payback period |
| P/BV   | Market price per share + book value per share |
| P/E    | Market price per share + current earnings per share |
| P<sub>i</sub> | (1) Preferred stock in a firm's capital structure  
        (2) Market value of a firm's preferred stock |
| PI     | Profitability index |
| PMT    | Annuity payment |
| PPP    | Purchasing power parity |
| PV     | Present value |
| PVAN   | Present value of an annuity |
| PVAND  | Present value of an annuity due |
| PVIF   | Present value interest factor |
| PVIFA  | Present value interest factor of an annuity |
| PVNCF  | Present value of net (operating) cash flows |
| PVPER  | Present value of a perpetuity |
| PVPERD | Present value of a perpetuity due |
| π<sub>f</sub> | Expected foreign country inflation rate |
| π<sub>h</sub> | Expected home country inflation rate |
| Q      | Quantity |
| q      | Number of units sold |
| Q<sub>b</sub> | Break-even quantity |
| ρ      | Correlation coefficient |
| r      | (1) Internal rate of return of a project  
        (2) Single rate of return of a security  
        (3) Theoretical value of a right  
        (4) Revenues  
        (5) Risk-adjusted discount rate  
        (6) Risk-free rate of return  
        (7) The jth possible return from a security or project  
        (8) Rate of return on the market portfolio  
        (9) Rate of return on a portfolio of securities  
        (10) Return on equity  
        (11) Return on investment (assets)  
        (12) Standard deviation  
        (13) Spot rate in a foreign currency at time 0  
        (14) (1) Sales  
        (2) Subscription price of a right  
        (3) Unit selling cost |
| σ      | Security Market Line |
| S      | (1) Sales  
        (2) Subscription price of a right  
        (3) Unit selling cost |
| TR     | Total revenue |
| v      | Coefficient of variation |
| V      | Variable cost per unit |
| w      | Portion (weight) of funds invested in a particular security in a portfolio |
| Y      | Investment in property, plant and equipment |
| z      | Number of standard deviations |
This page intentionally left blank
About the Authors

R. Charles Moyer

is a Professor of Finance and Dean of the College of Business at the University of Louisville. Prior to this position, Dr. Moyer held the GMAC Insurance Chair in Finance and was Dean of the Babcock Graduate School of Management, Wake Forest University; was a Professor of Finance and Chairman of the Department of Finance at Texas Tech University; and previously taught at the University of Houston, Lehigh University, and the University of New Mexico. He earned his B.A. in economics (cum laude) from Howard University, where he was elected to Phi Beta Kappa, and received his M.B.A. and Ph.D. in Business from the University of Pittsburgh. Dr. Moyer spent a year at the Federal Reserve Bank of Cleveland and a year as a Sears-AACSB Federal Faculty Fellow at the Maritime Administration, U.S. Department of Commerce. Professor Moyer has taught in executive education programs, and is frequently called upon to provide expert testimony in public utility rate cases across the nation. Dr. Moyer is a director of King Pharmaceuticals Corporation, the Kentucky Seed Capital Fund, and Capital South Partners. In addition to coauthoring Contemporary Financial Management, 12th Edition, Dr. Moyer also coauthored Managerial Economics, 12th Edition (South-Western, 2011) and Fundamentals of Contemporary Financial Management, 2nd Edition (South-Western, 2007). He has published extensively in leading finance and economic journals, including Financial Management, Journal of Financial and Quantitative Analysis, Journal of Finance, Financial Review, Journal of Financial Research, International Journal of Forecasting, Journal of Economics and Business, Journal of Industrial Organization, and many others, publishing over 90 articles. Dr. Moyer has served as a vice president of the Financial Management Association; as a director of the Financial Management Association, the Eastern Finance Association, and the Southern Finance Association; as a Secretary/Treasurer of the Financial Management Association; and as President of the Southern Finance Association.

James R. McGuigan

currently owns and operates his own numismatic investment firm. Prior to this endeavor, he was Associate Professor of Finance and Business Economics in the School of Business Administration at Wayne State University where he taught in the undergraduate and masters programs for 10 years. He also taught at the University of Pittsburgh and Point Park College. Dr. McGuigan received his undergraduate degree from Carnegie-Mellon University. His graduate degrees are from the Graduate School of Business at the University of Chicago (M.B.A.) and at the University of Pittsburgh (Ph.D.). He has published articles dealing with his research on options in the Journal of Financial and Quantitative Analysis.
In addition to his interests in financial management, Dr. McGuigan has coauthored books in managerial economics, including *Managerial Economics*, 12th Edition (South-Western, 2011), which he coauthored with R. Charles Moyer and Frederick Harris, and *Fundamentals of Contemporary Financial Management*, 2nd Edition (South-Western, 2007), coauthored with R. Charles Moyer and Ramesh P. Rao.

**Ramesh P. Rao**


**William J. Kretlow**

is an Associate Professor of Finance at the University of Houston. Born and raised in Chicago, he earned his B.S. from the University of Michigan. He received his M.B.A. from the University of Houston and his Ph.D. from Purdue University, where he was a David Ross Fellow. In addition to teaching at the University of Houston, he has been a part-time Associate Professor of Economics at Rice University. At the University of Houston, he taught financial management and investments at all levels, and large introductory sections of managerial finance at both Houston and Rice. He also taught extensively in executive programs, including the University of Houston Executive M.B.A. and Executive Development Programs, and the Stonier Graduate School of Banking of the American Bankers Association. In the area of academic research, Professor Kretlow has published numerous articles and presented papers at professional society meetings. His research deals with the capital asset pricing model, dividend policy, bond ratings, and financial planning models.
## Brief Contents

Preface xv

### Part 1 Introduction

<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Role and Objective of Financial Management 2</td>
</tr>
<tr>
<td>2</td>
<td>The Domestic and International Financial Marketplace 28 Appendix 2A: Taxes 63</td>
</tr>
<tr>
<td>3</td>
<td>Evaluation of Financial Performance 68</td>
</tr>
<tr>
<td>4</td>
<td>Financial Planning and Forecasting 116</td>
</tr>
</tbody>
</table>

### Part 2 Determinants of Valuation

<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>The Time Value of Money 146 Appendix 5A: Continuous Compounding and Discounting 193</td>
</tr>
<tr>
<td>6</td>
<td>Fixed-Income Securities: Characteristics and Valuation 196</td>
</tr>
<tr>
<td>7</td>
<td>Common Stock: Characteristics, Valuation, and Issuance 232</td>
</tr>
<tr>
<td>8</td>
<td>Analysis of Risk and Return 268</td>
</tr>
</tbody>
</table>

### Part 3 The Capital Investment Decision

<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Capital Budgeting and Cash Flow Analysis 318 Appendix 9A: Depreciation 349</td>
</tr>
<tr>
<td>10</td>
<td>Capital Budgeting: Decision Criteria and Real Option Considerations 354 Appendix 10A: Mutually Exclusive Investments Having Unequal Lives 393</td>
</tr>
<tr>
<td>11</td>
<td>Capital Budgeting and Risk 398</td>
</tr>
</tbody>
</table>

### Part 4 The Cost of Capital, Capital Structure, and Dividend Policy

<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>The Cost of Capital 430</td>
</tr>
<tr>
<td>13</td>
<td>Capital Structure Concepts 468</td>
</tr>
<tr>
<td>14</td>
<td>Capital Structure Management in Practice 502 Appendix 14A: Breakeven Analysis 540</td>
</tr>
<tr>
<td>15</td>
<td>Dividend Policy 552</td>
</tr>
</tbody>
</table>
Part 5  Working Capital Management

CHAPTER 16  Working Capital Policy and Short-Term Financing  588
CHAPTER 17  The Management of Cash and Marketable Securities  642
CHAPTER 18  The Management of Accounts Receivable and Inventories  674

Part 6  Additional Topics in Contemporary Financial Management

CHAPTER 19  Lease and Intermediate-Term Financing  710
CHAPTER 20  Financing with Derivatives  740
Appendix 20A: The Black-Scholes Option Pricing Model  765
Appendix 20B: Bond Refunding Analysis  769
CHAPTER 21  Risk Management  774
CHAPTER 22  International Financial Management  794
CHAPTER 23  Corporate Restructuring  816

Reference Materials
  Tables T-1
  Glossary G-1
  Solutions to Self-Test Problems S-1
  Check Answers to Selected Problems C-1
  Index I-1
Contents

Preface xv

Part 1 Introduction

CHAPTER 1 The Role and Objective of Financial Management 2
Key Chapter Concepts 2
Financial Challenge: Issues Confronting Financial Managers 3
Introduction 5
Foundation Concept: Maximizing Shareholder Wealth as the Primary Goal 6
Maximization of Shareholder Wealth: Managerial Strategies 11
Forms of Business Organization 15
Ethical Issues: The Practice of Financial Management 16
Organization of the Financial Management Function 19
Entrepreneurial Issues: Shareholder Wealth Maximization 22
Career Opportunities in Finance 23
Professional Finance Affiliations and Certifications 24
Summary 24
Questions and Topics for Discussion 25

CHAPTER 2 The Domestic and International financial Marketplace 28
Key Chapter Concepts 28
Financial Challenge: The Collapse of Lehman Brothers 29
Introduction 30
An Overview of the U.S. Financial System 30
The Structure and Operation of U.S. Security Markets 35
The Global Economy and Multinational Enterprises 39
Foreign Currency Markets and Exchange Rates 40
Foundation Concept: Market Efficiency 45
Ethical Issues: Insider Trading 51
Foundation Concept: Holding Period Returns 51
International Issues: Market Efficiency Outside the United States 52
Overview of the Financial Crisis of 2007–2010 53
Income Taxes and Financial Management 57
Summary 59
Questions and Topics for Discussion 60
Self-Test Problems 60
Problems 60

APPENDIX 2A: TAXES 63
Introduction 63
Corporate Income Taxes 63
Entrepreneurial Issues: S Corporations 65
Questions and Topics for Discussion 65
Self-Test Problems 66
Problems 66

CHAPTER 3 Evaluation of financial Performance 68
Key Chapter Concepts 68
Financial Challenge: The Glitter at Tiffany’s 69
Introduction 69
Basic Classifications of Financial Ratios 71
Summary of Financial Ratio Analysis 85
Trend Analysis 88
Analysis of Profitability: Return on Investment 90
Foundation Concept: Analyzing Profitability Through Return on Stockholders’ Equity 92

viii
Contents

Sources of Comparative Financial Data 92
A Word of Caution About Financial Ratio Analysis 93
Earnings and Balance Sheet Quality and Financial Analysis 94

Ethical Issues: The Sarbanes-Oxley Act and the Financial Reporting Process 97
Market Value Added: An Alternative Measure of Performance 98
International Issues: Financial Analysis of Multinational Corporations 100
Inflation and Financial Statement Analysis 101

Summary 102
Questions and Topics for Discussion 104
Self-Test Problems 105
Problems 106

CHAPTER 4
Financial Planning and Forecasting 116

Key Chapter Concepts 116
Financial Challenge: How Planning Saved Ford Motor Company from Bankruptcy 117

Introduction 118
Financial Planning 118
Foundation Concept: Cash Flow Analysis 119

Financial Forecasting 127

Summary 137
Questions and Topics for Discussion 138
Self-Test Problems 138
Problems 139

Part 2
Determinants of Valuation

CHAPTER 5
The Time Value of Money 146

Key Chapter Concepts 146
Financial Challenge: The Powerball Winner’s "Dilemma" 147

Introduction 148
The Use of Financial Calculators and Spreadsheets 149
Interest 150
Simple Interest 151
Compound Interest and Future Value 153
Present Value 158
Annuities 161
Present Value: Some Additional Cash Flow Patterns 171
Compounding Periods and Effective Interest Rates 175
Effective Rate Calculations 177
Solving the Financial Challenge 178

Foundation Concept: Net Present Value Rule 179

Summary 180
Questions and Topics for Discussion 182
Self-Test Problems 183
Problems 183

Integrative Case Problem: Time Value of Money 191

APPENDIX 5A: CONTINUOUS COMPOUNDING AND DISCOUNTING 193

Continuous Compounding 193
Continuous Discounting 193
Effective Rate Calculations 194

Self-Test Problems 194
Problems 194

CHAPTER 6
Fixed-Income Securities: Characteristics and Valuation 196

Key Chapter Concepts 196
Financial Challenge: The Risk of Owning General Motors (GM) Bonds 197

Introduction 198
Characteristics of Long-Term Debt 199
International Issues: The International Bond Market 210
Foundation Concept: Valuation of Assets 210

Bond Valuation 213

Ethical Issues: Leveraged Buyouts and Bond Values 218

Characteristics of Preferred Stock 220

Summary 224
Questions and Topics for Discussion 225
Self-Test Problems 226
Problems 227

CHAPTER 7
Common Stock: Characteristics, Valuation, and Issuance 232

Key Chapter Concepts 232
Financial Challenge: Google Goes Public 233

Introduction 234
Characteristics of Common Stock 236

Ethical Issues: Unequal Voting Rights 240
## The Security Offering Process: Role of the Investment Banker 242

**Foundation Concept:** Valuation of Common Stock 249

*International Issues: Global Equity Markets 250*

Applications of the General Dividend Valuation Model 252

*Entrepreneurial Issues: Valuation of Closely Held Firms 256*

### Summary 258

Questions and Topics for Discussion 260

Self-Test Problems 260

Problems 261

## PART 3

### CHAP TER 8

**Analysis of Risk and Return 268**

Key Chapter Concepts 268

Financial Challenge: Investment Diversification and Risk 269

Introduction 270

Meaning and Measurement of Risk 270

**Foundation Concept:** Relationship Between Risk and Return 278

Investment Diversification and Portfolio Risk Analysis 285

Portfolio Risk and the Capital Asset Pricing Model 293

*International Issues: Diversification and Multinational Corporations 303*

*Ethical Issues: High-Risk Securities 304*

Other Dimensions of Risk 304

### Summary 305

Questions and Topics for Discussion 307

Self-Test Problems 309

Problems 310

## APPENDIX 9A: DEPRECIATION 349

Introduction to Depreciation 349

Straight-Line Depreciation 349

Modified Accelerated Cost Recovery System (MACRS) 350

Real Property 352

### Questions and Topics for Discussion 353

Problems 353

## CHAP TER 9

**Capital Budgeting and Cash Flow Analysis 318**

Key Chapter Concepts 318

Financial Challenge: Ford’s Investment in Volvo Comes up Short 319

Introduction 320

Key Terms and Concepts in Capital Budgeting 321

Basic Framework for Capital Budgeting 322

Generating Capital Investment Project Proposals 324

**Foundation Concept:** Principles of Estimating Cash Flows 325

Net Investment (NINV) 327

Net (Operating) Cash Flows 328

Asset Expansion Projects 333

Asset Replacement Projects 336

Problems in Cash Flow Estimation 338

The Practice of Cash Flow Estimation for Capital Budgeting 338

*Ethical Issues: Cash Flow Estimation Biases 340*

### Summary 341

Questions and Topics for Discussion 342

Self-Test Problems 343

Problems 343

## APPENDIX 10: CAPITAL BUDGETING: DECISION CRITERIA AND REAL OPTION CONSIDERATIONS 354

Introduction 356

**Foundation Concept:** Decision Models for Evaluating Alternatives 356

Capital Rationing and the Capital Budgeting Decision 369

Reviewing and Post-Auditing an Accepted Project 372

A Comprehensive Example of Capital Budgeting: Opening a New Bank Branch 373

*International Issues: A Framework for International Capital Expenditure Decisions 375*

*Entrepreneurial Issues: Capital Budgeting 377*

Inflation and Capital Expenditures 377

Real Options in Capital Budgeting 378

*Ethical Issues: The Use of Shareholder Resources 379*

### Summary 382

Questions and Topics for Discussion 383
Self-Test Problems 383
Problems 384
Integrative Case Problem: Capital Budgeting 392

APPENDIX 10A: MUTUALLY EXCLUSIVE INVESTMENTS HAVING UNEQUAL LIVES 393
Replacement Chains 393
Equivalent Annual Annuities 395
Problems 396

CHAPTER 11
Capital Budgeting and Risk 398
Key Chapter Concepts 398
Financial Challenge: Risk in the Pharmaceutical Industry 399
Introduction 400
Total Project Risk Versus Portfolio Risk 401
Adjusting for Total Project Risk 401
Adjusting for Beta Risk in Capital Budgeting 411
International Issues: Special Elements of Capital Budgeting Risk 413
Ethical Issues: Johnson & Johnson and Proprietary Competitive Information 414
Summary 417
Questions and Topics for Discussion 418
Self-Test Problems 418
Problems 419
Integrative Case Problem: Capital Budgeting and Risk Analysis 427

PART 4
The Cost of Capital, Capital Structure, and Dividend Policy

CHAPTER 12
The Cost of Capital 430
Key Chapter Concepts 430
Financial Challenge: Cost of Equity Capital for Questar Gas Company 431
Introduction 432
Summary of Notation 433
Foundation Concept: Weighted Cost of Capital 433
Relative Costs of Capital 436
Computing the Component Costs of Capital 438
Divisional Costs of Capital 447
Determining the Weighted (Marginal) Cost of Capital Schedule 449
International Issues: The Cost of Capital for Multinational Companies 451
Determining the Optimal Capital Budget 453
Entrepreneurial Issues: The Cost of Capital 454
Cost of Depreciation-Generated Funds 455
Summary 455
Questions and Topics for Discussion 457
Self-Test Problems 457
Problems 458
Integrative Case Problem: Cost of Capital 466

CHAPTER 13
Capital Structure Concepts 468
Key Chapter Concepts 468
Introduction 470
Capital Structure Decisions and Maximization of Shareholder Wealth 471
Foundation Concept: Business Risk 472
Foundation Concept: Financial Risk and Financial Leverage 474
Capital Structure Theory 477
Ethical Issues: LBO Stakeholder Impacts 491
International Issues: Capital Structure 492
Managerial Implications of Capital Structure Theory 494
Summary 494
Questions and Topics for Discussion 495
Self-Test Problems 496
Problems 497

CHAPTER 14
Capital Structure Management in Practice 502
Key Chapter Concepts 502
Financial Challenge: Microsoft’s Foray into the Debt Market 503
Introduction 504
Operating and Financial Leverage 504
Other Financial Risk Measures 514
EBIT-EPS Analysis 515
Cash Insolvency Analysis 521
Other Factors to Consider in Making Capital Structure Decisions 524
International Issues: Balancing Operating and Financial Risks at Nestle 526
Summary 528
Questions and Topics for Discussion 529
Self-Test Problems 530
Problems 531

APPENDIX 14A: BREAK-EVEN ANALYSIS 540
Introduction 540
Graphic Breakeven Analysis 540
Algebraic Breakeven Analysis 541
Examples of Breakeven Analysis 542
DOL and Breakeven Analysis 545
Breakeven Analysis and Risk Assessment 546
Some Limitations of Breakeven Analysis 546
Cash Breakeven Point 548
Questions and Topics for Discussion 549
Self-Test Problems 550
Problems 550

CHAPTER 15
Dividend Policy 552
Key Chapter Concepts 552
Financial Challenge: Oracle Corporation Declares Its First Dividend 553
Introduction 554
Determinants of Dividend Policy 555
Dividend Policy and Firm Value 562
Dividend Policies 565
Entrepreneurial Issues: Dividend Policy 569
International Issues: Dividend Policies for Multinational Firms 572
Stock Dividends and Stock Splits 573
Share Repurchases as Dividend Decisions 574
Summary 578
Questions and Topics for Discussion 579
Self-Test Problems 580
Problems 581

Part 5
Working Capital Management

CHAPTER 16
Working Capital Policy and Short-Term Financing 588
Key Chapter Concepts 588
Financial Challenge: IFLC’s Risky Financing Strategy 589
Introduction 590
Working Capital Policy 590
Levels of Working Capital Investment 594
Proportions of Short-Term and Long-Term Financing 596
Profitability Versus Risk Trade-off for Alternative Financing Plans 597
Overall Working Capital Policy 601
Short-Term Credit 603
Cost of Short-Term Funds 604
Trade Credit 605
Accrued Expenses and Deferred Income 608
Short-Term Bank Credit 609
Ethical Issues: Tying Bank Loans to Other Services 613
Commercial Paper 614
Accounts Receivable Loans 615
Inventory Loans 619
International Issues: Foreign Receivables Financing 621
Summary 622
Questions and Topics for Discussion 624
Self-Test Problems 626
Problems 627
Integrative Case Problem: Working Capital Management 639

CHAPTER 17
The Management of Cash and Marketable Securities 642
Key Chapter Concepts 642
Financial Challenge: “Cash Is King” in the High-Tech Industry 643
Introduction 644
Liquid Asset Balance 645
Controlling the Collection and Disbursement of Cash 651
Ethical Issues: Cash Management 657
Electronic Funds Transfer 658
Investing in Marketable Securities 659
CHAPTER 18
The Management of Accounts Receivable and Inventories 674
Key Chapter Concepts 674
Financial Challenge: Anheuser-Busch and General Motors Use Their Power to Get Better Credit Terms 675
Introduction 676
Accounts Receivable Management 676
Evaluating Individual Credit Applicants 685
Inventory Management 687
Inventory Control Models 691
Summary 697
Questions and Topics for Discussion 699
Self-Test Problems 700
Problems 701
CHAPTER 22
International Financial Management 794
   Key Chapter Concepts 794
   Financial Challenge: The Euro Takes a Dive 795
   Introduction 796
   Factors That Affect Exchange Rates 797
   Forecasting Future Exchange Rates 804
   Foreign Exchange Risk 805
   Ethical Issues: Payment of Bribes Abroad 810
   Summary 811
   Questions and Topics for Discussion 812
   Self-Test Problems 812
   Problems 812

CHAPTER 23
Corporate Restructuring 816
   Key Chapter Concepts 816
   Financial Challenge: The Fall of an American Icon:
      Bankruptcy Filing by General Motors 817
   Introduction 818
   Mergers 819
   Business Failure 837
   Summary 846
   Questions and Topics for Discussion 847
   Self-Test Problem 849
   Problems 849
   Integrative Case Problem: Mergers and Acquisitions 854

Reference Materials
   Tables T-1
   Glossary G-1
   Solutions to Self-Test Problems S-1
   Check Answers to Selected Problems C-1
   Index I-1
The financial management field continues to experience change and growth. Financial practitioners are increasingly employing new financial management techniques and sophisticated computer resources to aid in their decision making. "Financial engineers" have created new derivative financial instruments and transactions, such as options, financial futures contracts, options on futures contracts, foreign currency swaps, and interest rate swaps, to help managers manage risk and increase shareholder wealth. Many domestic industries have been restructured because of the pressures of foreign competition. Leveraged buyout transactions also have forced managers to make more careful use of their firms’ resources. The growing private equity market has added another dimension to the focus on sound management of a firm’s resources. Corporate reformers have focused attention on the structure of corporate governance relationships and the impact of alternative managerial compensation packages on firm performance. Bankruptcy filings increased dramatically at the end of the 1980s and remained at high levels through 2010. The Internet is transforming the way securities are bought and sold and the way companies access new capital. At the same time, financial researchers have made important advances in the areas of valuation, cost of capital, capital structure theory and practice, option valuation (including “real” options associated with capital investments), risk management, and dividend policy. Access to and content of the Internet have greatly expanded, making timely financial information increasingly available to customers, investors, and financial managers.

The financial crisis and recession that began in 2008 and continued into 2010 had a major impact on the financial marketplace and the practice of financial management. This crisis in the financial markets illustrated structural weaknesses in many financial institutions, including commercial banks, quasi-governmental financial entities, regulatory practices, and various aspects of risk management. The lessons from this experience will have long lasting impacts on financial markets and the strategies employed by financial managers and investors. This 12th Edition revision of Contemporary Financial Management addresses the cause of this crisis and its impacts on the practice of finance.

The future promises to be a more exciting time for finance professionals. Financial managers have refocused their attention on the basic objective of maximizing shareholder wealth. Managers who act contrary to the interests of shareholders face the prospect of an unfriendly takeover, a corporate restructuring, pressure from domestic and foreign competitors, pressure from private equity investors, or pressures from shareholder groups and institutional investors. Firms increasingly must find operating savings necessary to remain competitive, as managers continue to struggle to find the optimal capital structure for their firm. The central importance of cash flows in the financial management of a firm has never been more apparent. The European economic and
monetary unification and the subsequent issues that arose from the financial crisis of 2008–2010, the capitalization of Russia and its former states, the rise of capitalism in China, and the use of human and business resources in India all require contemporary financial managers to possess greater knowledge of doing business in an international marketplace. In addition, the standards of ethical behavior adopted by managers of business enterprises become even more important. Finally, the impact of the Internet on all areas of business practice will continue to revolutionize the financial arena as the result of the lifting of barriers to timely information access and the increase of competitive pressures on business managers.

Contemporary Financial Management, 12th Edition, incorporates these changes—the increased focus on shareholder wealth maximization and cash flow management, an emphasis on the international aspects of financial management, a concern for the ethical behavior of managers, the role of private equity investors, and the lessons learned in the financial crisis that impacted all aspects of risk management—into a text designed primarily for an introductory course in financial management. The book is also suitable for management development programs and as a reference aid to practicing finance professionals.

We recognize that students enter this course with a wide variety of backgrounds in mathematics, economics, accounting, and statistics. The only presumption we make regarding prior preparation is that all student users have had one course in financial accounting.

Organization of the Text

This text provides an introduction to both analytical tools and descriptive materials that are useful in financial management. Because this is an introductory-level text, however, it does not attempt to make the reader an expert in every aspect of financial decision making. Instead, it is intended to do the following:

- Acquaint the reader with the types of decisions faced by financial managers
- Develop a framework for analyzing these decisions in a systematic manner
- Provide the reader with the background necessary to pursue more advanced readings and courses in financial management

Although the subject matter in this text is divided into distinct parts, in reality and practice, the various types of financial decisions are interrelated and should not be considered in isolation from one another.

Each chapter begins with a summary preview of the key concepts from the chapter. This is followed by a financial challenge faced by a real firm(s) and related to the material in the chapter. Next, Learning Objectives are identified for each chapter. At the end of each chapter is a point-by-point summary of the chapter and extensive sets of discussion questions and problems, including “Self-Test Problems” with detailed solutions, which readers can use to test their understanding of the text material. A glossary of key terms is provided at the end of the book. Some chapters also have more complex, integrative case problems. Where appropriate, special international financial management issues and entrepreneurial finance issues are discussed. The book also has a large number of “Ethical Issues” sections integrated throughout. “Check” answers to selected problems appear at the end of the book. An overview of the CFM Excel templates that are available for solving many of the complex chapter problems and cases can be found at the book’s Web site (www.cengage.com/finance/moyer).
Parts of the Text

Part One, Introduction. Chapter 1 discusses the goal and objective of financial management, introduces the various forms of business organization, discusses the importance of ethical business practices, and reviews the structure of the financial management function. Chapter 2 reviews the major elements of the U.S. and international financial marketplace. It includes a discussion of the structure of the U.S. financial system and the role of stock exchanges. Also included are introductions to various types of derivative securities and international financial management. Chapter 2 also contains an extensive discussion of the causes and impacts of the financial crisis beginning in 2007–2008. Chapter 3 considers the financial statements and ratios that can be used to evaluate the financial performance of a firm. Chapter 4 presents various techniques for analyzing cash flows and forecasting future financial performance.

Part Two, Determinants of Valuation. Valuation is a central theme of the book. Chapter 5 develops the concept of the time value of money. This concept is used in the valuation of securities and the evaluation of investment projects expected to provide benefits over a number of years. The present value rule is also introduced. Chapter 6 applies the basic valuation model to fixed income securities, such as bonds and preferred stock. Chapter 7 deals with the valuation of common stock and the role of investment bankers. Chapter 8 provides a comprehensive introduction to the concept of risk in finance and the relationship between risk, required return, and the shareholder wealth maximization goal of the firm.

Part Three, The Capital Investment Decision. This portion of the text focuses on capital expenditures—that is, investments in long-term assets. Chapters 9 and 10 present the fundamentals of capital budgeting, namely, the process of investing in long-term assets. Chapter 9 deals with the measurement of the cash flows (benefits and costs) associated with long-term investment projects. Chapter 10 considers various decision-making criteria that can be used when choosing projects that will maximize the value of the firm. Chapter 11 extends the concepts developed in Chapter 10 by considering some of the decision-making techniques that attempt to deal with the problem of the risk associated with a specific project’s cash flows.

Part Four, The Cost of Capital, Capital Structure, and Dividend Policy. Chapter 12 illustrates the principles of measuring a firm’s cost of capital. The cost of funds to a firm is an important input in the capital budgeting process. Chapters 13 and 14 address the relationship of the cost of capital to the firm’s capital structure. Chapter 15 discusses the factors that influence the choice of a dividend policy and the impact of various dividend policies on the value of a firm.

Part Five, Working Capital Management. Chapters 16 through 18 examine the management of a firm’s current asset and liability accounts—that is, net working capital. Chapter 16 provides an overview of working capital management, with emphasis on the risk-return trade-offs involved in working capital decision making. Chapter 16 also covers the management of secured and unsecured short-term credit. Chapter 17 deals with the management of cash and marketable securities, and Chapter 18 focuses on the management of accounts receivable and inventories.

Part Six, Additional Topics in Contemporary Financial Management. Chapter 19 deals with lease financing and intermediate-term credit. Chapter 20 focuses on option-related funding alternatives, i.e., derivative securities, including convertible securities, and warrants. Chapter 21 examines various techniques for managing risk, including the
use of derivative securities. Chapter 22 discusses the factors that affect exchange rates and foreign exchange risk. Chapter 23 examines corporate restructuring decisions, including mergers and acquisitions, the role of private equity investors, bankruptcy, and reorganization.

**Distinctive Features**

Many financial management texts are well written and provide adequate coverage of the basic topics in financial management. In preparing this twelfth edition, we continue our commitment to provide a comprehensive, correct, and well-written introduction to the field of financial management. The current edition reflects the many refinements that have been made over the years in previous editions. In addition, we have created a text package that fully reflects contemporary financial management developments in the book’s pedagogical aids, organizational design, and ancillary materials.

**Pedagogical Features**

CFM has been carefully designed to assist the student in learning and to stimulate student interest.

Distinctive pedagogical features include:

1. **Financial Challenges.** Each chapter begins with an illustration of a financial management problem faced by a firm or individual. These exciting lead-ins come from real-firm situations, including Lehman Brothers, Kaupthing Bank in Iceland, General Motors, Tiffany’s, Ford Motor, Powerball Lottery, Google, Volvo, Boeing, King Pharmaceuticals, Questar Gas Company, American Airlines, Southwest Airlines, Microsoft, International Lease Finance Corporation, the European Union, Oracle, and Anheuser-Busch. These examples focus on financial problems in the topic area of the chapter and highlight the importance of learning sound financial management principles. The “Financial Challenges” have been extensively revised and updated from the eleventh edition, including the addition of 20 totally new examples.

2. **Foundation Concepts.** These concepts are introduced early in the text. Their central importance in the study of finance is highlighted by specially designated icons indicating that these are “Foundation Concepts” and hence worthy of extra attention by the student. Important foundation concepts are identified throughout the book, including the determinants of the return on equity, the valuation of assets, the valuation of common stock, cash flow estimation principles, capital budgeting decision models, business risk, financial risk, and the weighted cost of capital.

3. **International Issues.** To emphasize and reinforce the global nature of financial decision making, we have included “International Issues” sections throughout the book to illustrate the global issues associated with making financial decisions. By covering international finance in two chapters—and throughout, with the “International Issues” features—we ensure that all students will be exposed to important international dimensions of financial management decisions, as expected by the AACSB, and we provide an opportunity for in-depth coverage of some of the more important international finance topics.

4. **Ethical Issues.** “Ethical Issues” sections are integrated throughout to present some of the ethical dilemmas facing financial managers. These sections raise sensitivities to ethical issues and usually conclude with questions and issues for further classroom discussion.
5. **Entrepreneurial Issues.** In recognition of the important and growing role of small and medium-sized firms in the American business environment, we have included “Entrepreneurial Issues” sections that appear in appropriate places throughout the book and emphasize unique finance-related problems and concerns of entrepreneurs.

6. **Extensive and Fully Integrated Examples of the Financial Policies and Problems That Face Real Firms.** Throughout the book, we have illustrated financial management concepts by using problems facing real firms. By minimizing the number of hypothetical firm situations and using data and situations facing actual firms that students will recognize and relate to, CFM has further enhanced the realism and excitement of the field of finance.

7. **Calculator Application Illustrations.** Many chapters have easy-to-follow, step-by-step calculator keystrokes to solve many of the time value of money examples developed in the text. These “Calculator Applications” sections are set up in a generic calculator format and can be used with virtually any financial calculator.

8. **Spreadsheet Strategies.** Many chapters have illustrative examples of how spreadsheet software (Microsoft Excel) can be used to solve finance problems, including time value of money problems, stock and bond valuation, and capital budgeting.

9. **Intuitive Use of Notation.** Notation in the text is simplified and intuitive to aid student learning. Inside the back cover, we have provided a handy summary of the key notation used throughout the book.

10. **Internet Applications.** This edition provides numerous references to interesting Internet applications. The applications provide students with handy references that can be used to explore the Internet for additional information and data dealing with chapter topics.

11. **Extensive Problem Sets.** Many of the end-of-chapter problems contain a surfeit of information, forcing students to identify the relevant material needed to solve the problem. The problem sets provide students and instructors with a greater breadth of problem coverage than in many other texts. In addition, the problems have been identified with a difficulty rating ranging from basic to intermediate to challenging. In several finance textbooks, problems are labeled to indicate the type of problem to be solved. We have specifically chosen not to include this information because of our belief that recognition of the problem type is an important part of the learning process. However, we understand the differing needs and goals of instructors, and thus have provided these categories in Appendix A of the Instructors’ Resource Manual, so that it can be easily shared with students if desired. Selected check answers to some of the end-of chapter problems appear at the end of the text.

12. **Self-Test Problems.** Each chapter includes end-of-chapter “Self-Test Problems,” with detailed solutions at the end of the text that students can use for further practice and enhanced understanding of the concepts developed in the chapter.

13. **Integrative Cases.** At the end of appropriate chapters, an expanded set of comprehensive “Integrative Cases” are provided. Many of these cases can be used in conjunction with the Excel models, available on the Moyer Student Companion Web site, to demonstrate the power of computers in performing sensitivity analysis.

14. **Excel™ Problems.** Throughout the text, problems that can be solved using Excel are highlighted with an Excel icon. To help solve these problems, more than 20 user-friendly, flexible, downloadable Excel models are available at www.cengage.com/finance/moyer and require no prior knowledge of Excel.
Organizational Design

Contemporary Financial Management is organized around the objective of maximizing the value of the firm for its shareholders. This objective is introduced early in the book, and each major financial decision is linked to the impact it has on the value of the firm. The distinctive content features are designed to complement this objective:

1. **Emphasis on the fundamental concepts of cash flow, net present value, risk-return relationships, and market efficiency.** There are four concepts that are central to a complete understanding of most financial management decisions:
   a. The importance of cash flows as the relevant source of value to a firm
   b. The significance of the net present value rule for valuing cash flows
   c. The relationship between risk and return in the valuation process
   d. The efficiency of the capital markets

2. **Unique treatment of problems of international financial management.** In a business world that is increasingly global, it is important that finance students be aware of the most important dimensions of international finance. Some texts provide a single chapter dealing with a potpourri of international issues, but due to time constraints, many instructors have difficulty in covering this material. Other texts use a series of short international topic sections scattered throughout the book, but this approach does not provide the in-depth coverage needed for some international finance topics, such as hedging exchange rate risk. In the twelfth edition of CFM, important international finance relationships, including the operation of foreign currency markets, exchange rate determination, and the role of multinational firms in the global economy, are covered in Chapter 2 (“The Domestic and International Financial Marketplace”). More advanced international topics, such as international parity relationships and the management of foreign exchange risk, are introduced in Chapter 22, “International Financial Management.” In addition, international viewpoints are covered in other chapters where appropriate.

3. **Comprehensive and integrated coverage of ethical issues facing financial managers.** Financial managers seeking to maximize shareholder wealth must also confront difficult ethical dilemmas. “Ethical Issues” sections are integrated throughout and present some of the ethical dilemmas facing financial managers. This treatment of the ethical dimensions of financial management is consistent with the AACSB’s recommendations for coverage of these issues.

4. **Early coverage of institutional characteristics and valuation models for financial instruments.** We have provided separate chapters (Chapters 6 and 7) dealing with the valuation of fixed income securities and common stock. These chapters also define all of the important characteristics of each of these security types and cover the institutional aspects of the markets for these securities, including the reading and understanding of security transaction information from sources like The Wall Street Journal. This structure provides students with both an institutional understanding of bonds, preferred stock, and common stock and an understanding of the valuation process for securities in the financial marketplace.

5. **Early coverage of time value of money concepts.** Time value of money concepts are covered in depth in Chapter 5. This treatment provides students with the exposure needed to fully understand the valuation process that is central to the goal of shareholder wealth maximization. In addition, this coverage of the time value of money involves students in useful practical applications early on in the course, setting an early tone of relevance for the course.

6. **Early introduction and emphasis throughout the text of the importance of cash flow analysis.** Chapter 1 introduces students to the importance of the cash flow
concept. This concept is then applied extensively in the context of financial planning and forecasting (Chapter 4), valuation (Chapters 6 and 7), capital budgeting (Chapters 9, 10, and 11), dividend policy (Chapter 15), working capital management (Chapter 16), leasing (Chapter 19), and corporate restructuring (Chapter 23).

7. **Attention to unique problems of financial management in entrepreneurial finance.** In recognition of the important and growing role of small and medium-sized firms in the American business environment, we have included “Entrepreneurial Issues” sections, which appear in appropriate places throughout the book and emphasize unique finance-related problems and concerns of entrepreneurs (small businesses).

8. **Extensive development of the cash flow estimation process in capital budgeting.** Perhaps the most important step in the capital budgeting process is the estimation of cash flows for potential projects. CFM devotes an entire chapter (Chapter 9) to this topic, with a chapter appendix detailing alternative depreciation methods and their tax consequences.

9. **Detailed discussion of real options embedded in many capital investment projects.** Finance scholars and practitioners have increasingly focused attention on “embedded options” in capital investment projects, such as the option to abandon, the option to expand, and the option to defer investments. These options add value to an investment project above that normally identified in a net present value calculation. Chapter 10 includes an extensive intuitive discussion of real options in capital budgeting.

10. **Coverage of the newest financial analysis and performance appraisal concepts.** The increased attention given to the objective of shareholder wealth maximization has brought about the development of new performance appraisal models that can be used to judge a firm’s performance and motivate managers to create value. The “Market Value Added” and “Economic Value Added” concepts, developed by Stern-Stewart, are covered in Chapter 3 (“Evaluation of Financial Performance”).

11. **Broad, integrated treatment of working capital management.** For many small and medium-sized companies, the management of working capital can present more challenges than any other area of financial management. A thorough and up-to-date 3-chapter section on working capital management is included.

12. **Emphasis on the impact of inflation.** Although inflation has not been a concern recently, finance practitioners must know how to operate in an inflationary environment. These skills are expected to remain important in the future. Therefore, this text contains frequent discussions of the impact of inflation.

13. **Introduction to new financial instruments and strategies.** Financial futures contracts, options, interest rate swaps, corporate restructuring, and leveraged buyouts (LBOs), to name but a few, have become increasingly important to contemporary financial managers. These topics are introduced to the student in an applied context that illustrates their value to financial managers.

14. **Frequent coverage of the impact of agency relationships in financial management.** The impact of principal–agent relationships on decisions in the areas of goal setting, valuation, capital structure, dividend policy, and corporate restructuring are presented throughout the book.

15. **Extensive coverage of the impact of the financial crisis that began in 2007–2008.** The twelfth edition of CFM provides extensive coverage of the impact of the financial crisis (that began in 2007–2008 and has continued well into 2010) on the practice of financial management. In addition to an in-depth and intuitive presentation in Chapter 2, it is also referenced many times in the following chapters.
Major Changes in the Twelfth Edition

The eleventh edition of CFM was extremely well received by our adopters. Hence, we have retained the basic features of that edition. Many users and reviewers have made suggestions to further improve the text, as have our student users, and we have incorporated many of them into the new edition. In addition, we have added new content to enhance the learning process. Throughout the book, many additional, contemporary examples and Web site references have been added. Other significant changes include the following:

- Chapter 2 contains an extensive discussion of the causes and financial implications of the financial crisis that began in 2007–2008. New material is provided on the role of the Securities and Exchange Commission (SEC) and recent expansions of their regulatory role.
- Chapters 6 and 7, dealing with the valuation of bonds and stocks, have been moved to follow immediately after the treatment of the time value of money (Chapter 5) to provide better continuity of the application of financial mathematics to valuation. The Analysis of Risk and Return has become Chapter 8, preceding the chapters dealing with capital budgeting.
- Material on Payment in Kind (PIK) bonds has been added to Chapter 6.
- New material on Managerial Preference Effects, as determinants of capital structure, has been added to Chapter 13.
- The discussion of the determinants of dividend policy has been expanded to cover new developments in financial theory and practice in this area.
- New material dealing with auction rate securities, the new risks associated with money market mutual funds, and the new risk profile of Federal Agency Issues of securities has been added to Chapter 17.
- Examples in Chapter 21, Risk Management, have been extensively updated.
- Chapter 23, Corporate Restructuring, has extensive new coverage of techniques for valuation of mergers and acquisitions.
- All chapters have been extensively updated with contemporary examples and data relevant to the application of financial management tools.

Materials for the Student

www.cengage.com/finance/moyer is the address to access the Web site that supports Contemporary Financial Management, Twelfth Edition. The site provides a link to Thomson ONE—Business School Edition, Internet application links, links to relevant finance sites, Key Terms, and the following features:

- **Excel™ Models** are designed to solve a wide variety of financial management problems. Problems in the text that can be solved using these models are indicated with an Excel logo next to the problem. The models require absolutely no prior knowledge of Excel. All of the models are designed so they can be used to solve actual business financial analysis problems, not just simplified textbook examples.
- **e-Lectures.** Difficult concepts from each chapter are explained and illustrated via streaming video and animated tutorials. These video clips and tutorials can be extremely helpful review and clarification tools if a student has trouble understanding an in-class lecture or is a visual learner who has difficulty grasping concepts as presented in the text.
- **Ask-the-Author Video.** In the ask-the-author video segments, the text author, R. Charles Moyer, discusses the most difficult concept for the students to grasp from the chapter. Because the author is the best person to explain his book, these video clips are invaluable to students who need just a little extra help without extra class time.
- **Thomson ONE—Business School Edition** (tobsefin.swlearning.com). This tool gives students the opportunity to use a business school version of the Internet-based database that analysts and brokers around the world use every day to conduct research and analysis. End-of-chapter material in several
chapters includes problems specifically created for use with Thomson ONE—BSE. Thomson ONE—BSE includes 10-year financial statements downloadable to Excel; one-click Peer Set analysis; indices that can be manipulated or compared, both international as well as domestic companies, and more. Thomson ONE—BSE is included FREE with each new text.

■ The Cengage Finance Web site at www.cengage.com/finance. This site directs students and instructors to The Global Economic Watch for Finance, the CengageBrain site for student supplements, and the link to the text and its Web site.

Materials for the Instructor

A complete set of ancillary materials is available to instructors to supplement the text, many at the text Web site at www.cengage.com/finance/moyer and all are password protected. They are also available on the Instructor IRCD and include the Instructor’s Resource Manual, the Test Bank in Word and in ExamView, and PowerPoint Presentation Slides.

■ An Instructor’s Resource Manual (IRM), revised by the text authors, is available to instructors. It contains detailed solutions to the end-of-chapter questions and problems, and documentation for the Excel templates included in the back of the manual. The solutions to text questions and problems have been thoroughly checked to assure their accuracy. In addition, topical categories of the end-of-chapter questions and problems are listed in an appendix. The IRM is available to instructors in electronic format only, on the text Web site and on the IRCD.

■ An extensive Test Bank, revised by Mary Fox Luquette of the University of Louisiana, offers over 1,800 multiple-choice questions and problems. This unique test bank is designed with the instructor in mind, and includes AACSB designations for each question and problem. Approximately 60 percent of the questions are “fact” questions, taken directly from the discussion in the text. Approximately 20 percent of the questions are “elementary problem” questions that closely parallel problem examples developed in the chapter and easier problems at the end of the chapter. Approximately 20 percent of the questions are “challenging problems” that require the student to apply concepts developed in the chapter to new problem situations.

Following each “fact” question, the instructor is provided with (1) the correct answer and (2) an identification of the question topic (that is, a reference to the major heading and subheading in the text where the correct answer is found).

Following each “elementary problem” and “challenging problem,” the instructor is provided with (1) the correct answer, (2) an identification of the question topic (that is, a reference to the major heading and subheading in the text where the procedure for calculating the correct answer is found), and (3) a detailed solution to the problem. This is available electronically only on the Instructor’s Resource Web site as a Microsoft™ Word download or on the IRCD-ROM.

■ ExamView™ Testing Software computerized testing program contains all of the questions in the test bank. ExamView™ Testing Software is an easy-to-use test creation software compatible with Microsoft Windows. Instructors can add or edit questions, instructions, and answers, and select questions by previewing them on the screen; selecting them randomly; or selecting them by number. Instructors can also create and administer quizzes online, whether over the Internet, a local area network (LAN), or a wide area network (WAN).

■ A set of PowerPoint Presentation Slides, revised by William T. Chittenden of Texas State University, provide the text’s graphs and tables along with lecture notes and is available at the text Web site and on the IRCD. These can be printed for use as transparency masters or acetates.

■ An Instructor’s Resource CD-ROM is available to instructors and contains all instructor supplements in electronic format.
Aplia™ for Finance! The best-selling homework solution in education today, Aplia is trusted by more than 500,000 students at more than 650 institutions worldwide. Aplia for Finance offers an online homework system that improves learning by increasing student effort and engagement—without requiring more work from the instructor. Aplia’s original, autograded finance assignments ensure that students grasp the skills and concepts presented in the text through interactive problem sets, news analyses, tutorials in math, accounting, statistics, economics, and financial calculators. Visit www.aplia.com for a full Aplia for Finance demonstration online.
Acknowledgments

The authors wish to acknowledge the helpful comments provided by many of our adopters and reviewers, from our first edition through this 12th Edition. We are also grateful for the invaluable comments from our survey respondents, who are included here:

Jean Abbott  
Hez A. Aubey  
Peter W. Bacon  
Dean Baim  
Robert Balk  
William C. Barbee, Jr.  
Richard Bauer  
Carl Beidleman  
Thomas Berry  
Gordon R. Bonner  
Jerry D. Boswell  
Don Bowlin  
Jay T. Brandi  
Peter Brucato  
William Brunsen  
Anthony K. Byrd  
W. Thomas Carls  
Kenneth Carow  
P. R. Chandy  
Robert Chatfield  
Tylor Claggett  
Maclyn L. Clouse  
C. Mitchell Conover  
David B. Cox  
John Crockett  
Rudolph D’Souza  
Orkunt Dalgic  
Lynn E. Dellenbarger, Jr.  
Shreesh Deshpande  
Joshua Detre  
J. David Diltz  
Vernon Dixon  
Shannon Donovan  
William Dukes  
John Dunkelberg  
Fred Ebeid  
John W. Ellis  
Holger Engberg  
Marilyn Ettinger  
Keith W. Fairchild  
Edward Farragher  
Donald Fehrs  
Mike Ferri  
Jane Finley  
Shifra Fraifeld  
John Gawryk  
Richard Gendreau  
James Gentry  
Michael Gombola  
James Greenleaf  
Kamal Haddad  
Thomas Hamilton  
Thomas Hardy  
Charles Harper  
Rick Harris  
Mahboubul Hassan  
Delbert Hastings  
Eric Haye  
Patrick Hays  
Shantaram P. Hedge  
Robert Hehre  
George Hettenhouse  
L. Dean Hiebert  
K. P. Hill  
Shalom Hochman  
Barbara Howard  
Thomas Howe  
Jim Hsieh  
Pearson Hunt  
Keith B. Johnson  
R. Larry Johnson  
Charles P. Jones  
Raymond G. Jones, Jr.  
Jason Joyner  
Peppy M. Kenny  
Kee Kim  
Thomas Klaasen  
Daniel P. Klein  
Timothy Koch  
Robert S. Kravchuk  
Thomas M. Kreuger  
Harry R. Kuniansky  
Robert Lamy  
Keith Laycock  
Thomas D. Legg  
Joseph J. Levitzky  
Thomas J. Liesz  
David Lindsley  
Charles Linke  
Danny S. Litt  
Mike Lockett  
Robert Lutz  
Qingzhong Ma  
Inayat U. Mangla  
Wayne M. Marr  
Rand Martin  
Robert McElreath  
Z. Lew Melnyk  
Richard Meyer
Stuart Michelson  Dianna Preece  Paul Swanson  
Edward M. Miller  Kelly Price  Rolf K. Tedefalk  
Billy C. Moore  Dennis Proffitt  Richard J. Teweles  
Scott Moore  Russ Ray  Niranjan Tripathy  
Allen D. Morton  Charles Rayhorn  K. C. Tseng  
Tammie Simmons Mosley  Bruce Resnick  Anthony M. Tuberose  
Robert Nash  Jesse Reyes  George Ulseth  
Duong Nguyen  William B. Riley  David Upton  
Eddie O’Neal  Charles T. Rini  Howard E. Van Auken  
Robert A. Olsen  John T. Rose  Sue Visscher  
Jeff Oxman  Jack H. Rubens  Charles Wade  
Coleen G. Pantalone  Carolyn J. Ryan  Richard A. Wall  
Ajay Patel  Gary C. Sanger  Alan Weatherford  
Walter W. Perlick  Richard Sapp  Samuel C. Weaver  
Craig Peterson  Robert G. Schwebach  Marsha Weber  
Susan M. Phillips  Robert Schweitzer  Herbert Weingaeb  
Mario Picconi  Bernard A. Shinkel  Jill Wetmore  
Pegaret Pichler  Mark Shrader  J. Daniel Williams  
Anthony Plath  Phillip Sisneros  E. Walter Wilson  
Alwyn du Plessis  Donald Simonson  Lawrence Wolken  
Barbara Poole  Frank Smith  Devrim Yaman  
Ralph Pope  John Speltz  Kenneth Yung  
Dwight Porter  Richard F. Sperring  Richard Zock  
Robert Porter  Uma Sridharan  J. Kenton Zumwalt  
Ronald Prange  Vic Stanton  
Rose M. Prasad  Gordon M. Stringer  

and the following business professionals:

Gordon B. Bonfield  Ira G. Kawaller  Robert B. Morris III  
Richard H. Brock  Carl J. Lange  T. Boone Pickens  
Roy V. Campbell  Martin H. Lange  Jack S. Rader  
Gary Costley  Chris Layton  M. W. Ramsey  
David Dupree  Lewis Lehr  William J. Regan  
Norman Dmuchowski  C. Londa  Albert J. Robison  
Stephen H. Grace  Paul MacAvoy  Julie Salamon  
Samuel C. Hadaway  Frank Mastrapasqua  Kenneth Schwartz  
R. Lee Haney  John H. Maxheim  Terry J. Winders  
Raymond A. Hay  John McKinnon  Greg Young  
Lawrence Inggrassia  Thomas R. Mongan  

We are also indebted to Lehigh University, Texas Tech University, the University of Houston, the University of New Mexico, Wayne State University, Wake Forest University, Oklahoma State University, and the University of Louisville for the considerable support they provided in this or earlier editions.

We owe thanks, as well, to our deans and fellow faculty members at our universities for the encouragement and assistance they provided on a continuing basis during the preparation of the manuscript. Special thanks are due to Mohsen Mollagholamali for his diligent help in updating real data and examples used in Chapters 2–4, 13–15, 21, and 23; to Subbu Iyer for updating the Financial Challenge and examples in Chapter 21; and to Anil P. Rao for reviewing and suggesting changes to Chapters 2, 4, and 23.
Finally, we wish to express our thanks to the Finance team members at Cengage Learning. We are particularly appreciative of the support provided by our editors and marketing staff: Mike Reynolds, our executive editor; Susanna Smart, our senior developmental editor; Nate Anderson, our marketing manager; Holly Henjum, our production manager; Michelle Kunkler, our text designer; and Scott Fidler, our media editor.

R. Charles Moyer
James R. McGuigan
Ramesh Rao
William J. Kretlow