To Natasha and Hannah for all the joy you bring to my life. —J. B.

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Bridging Theory and Practice

EXAMPLE 7.1
Stock Prices and Returns

PROBLEM
Suppose you expect Longs Drug Stores to pay an annual dividend of $0.56 per share in the coming year and to trade for $45.50 per share at the end of the year. If investments with equivalent risk to Longs' stock have an expected return of 5.50%, what is the most you would pay today for Longs' stock? What dividend yield and capital gain rate would you expect at this price?

SOLUTION

PLAN
We can use Eq. 7.1 to solve for the beginning price we would pay now (P0), given our expectations about dividends (Div1 = $0.56) and future price (P1 = $45.50) and the return we need to expect to earn by being willing to invest (r = 0.0550).

EXECUTE
Using Eq. 7.1, we have

\[ P_0 = \frac{\text{Div}_1 + P_1}{1 + r} \]

Referring to Eq. 7.2, we see that at this price, Longs' dividend yield is \( \frac{\text{Div}_1}{P_0} = \frac{0.56}{45.50} = 1.30\% \).

The expected capital gain is \( 5.50\% - 1.30\% = 0.37\% \) per share, for a capital gain rate of \( 2.37/43.13 = 5.50\% \).

EVALUATE
At a price of $43.13, Longs' expected total return is \( 1.30\% + 5.50\% = 6.80\% \), which is equal to its equity cost of capital (the return being paid by investments with equivalent risk to Longs'). This amount is the most we would be willing to pay for Longs' stock. If we paid more, our expected return would be less than 6.8% and we would rather invest elsewhere.

EXAMPLE 4.5
Retirement Savings Plan Annuity

PROBLEM
Ellen is 35 years old and she has decided it is time to plan seriously for her retirement. At the end of each year until she is 65, she will save $10,000 in a retirement account. If the account earns 10% per year, how much will Ellen have in her account at age 65?

SOLUTION

Plan: As always, we begin with a timeline. In this case, it is helpful to keep track of both the dates and Ellen's age:

<table>
<thead>
<tr>
<th>Year</th>
<th>Ellen's Age</th>
<th>Savings Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>35</td>
<td>$10,000</td>
</tr>
<tr>
<td>1</td>
<td>36</td>
<td>$10,000</td>
</tr>
<tr>
<td>2</td>
<td>37</td>
<td>$10,000</td>
</tr>
<tr>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>30</td>
<td>65</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

Ellen's savings plan looks like an annuity of $10,000 per year for 30 years. (Note: it is easy to become confused when you just look at age, rather than at both dates and age. A common error is to think there are only 30 – 35 = 25 payments. Writing down both dates and age avoids this problem.)

To determine the amount Ellen will have in her account at age 65, we'll need to compute the future value of this annuity.

EXECUTE

\[ FV = \text{PV} \times (1 + r)^n \]

\[ = 10,000 \times 1.10^{30} \]

\[ = 10,000 \times 164.49 \]

\[ = $1,644,940 \] at age 65

Using a financial calculator or Excel:

<table>
<thead>
<tr>
<th>N</th>
<th>I/Y</th>
<th>PV</th>
<th>PMT</th>
<th>FV</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>10</td>
<td>0</td>
<td>-10,000</td>
<td>1,644,940</td>
</tr>
</tbody>
</table>

EVALUATE

By investing $10,000 per year for 30 years (a total of $300,000) and earning interest on those investments, the compounding will allow Ellen to retire with $1.645 million.

Study Aids with a Practical Focus

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

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

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

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

- **Common Mistake** boxes alert students to frequently made mistakes stemming from misunderstanding of core concepts and calculations—in the classroom and in the field.

**COMMON MISTAKE**

Summing Cash Flows Across Time

Once you understand the time value of money, our first rule may seem straightforward. However, it is very common, especially for those who have not studied finance, to violate this rule, simply treating all cash flows as comparable regardless of when they are received. One example is in sports contracts. In 2019, Mike Trout signed a contract extension with the Los Angeles Angels that was repeatedly referred to as a “$430 million contract.” The $430 million comes from simply adding up all the payments Trout would receive over the 12 years of the contract—treating dollars received in 12 years the same as dollars received today. The same thing occurred when Lionel Messi signed a contract extension with FC Barcelona in 2017, giving him a “$320 million” contract through 2021, and in 2011 when Albert Pujols agreed to a “$240 million” ten-year contract with the Los Angeles Angels.
The Credit Crisis and Bond Yields

The financial crisis that engulfed the world’s economies in 2008 originated as a credit crisis that first emerged in August 2007. At that time, problems in the housing market had led to the bankruptcy of several large mortgage lenders. The default of these firms, and the downsizing of many of the banks backed by mortgages these firms had made, caused many investors to reassess the risk of other bonds in their portfolios. As perceptions of risk increased, and investors attempted to move into safer U.S. Treasury securities, the prices of corporate bonds fell and so their credit spreads rose relative to Treasuries, as shown in Figure 6.7. Panel (a) shows the yield spreads for long-term corporate bonds, where we can see that spreads of even the highest-rated Aaa bonds increased dramatically, from a typical level of 0.3% to over 2% by the fall of 2008. Panel (b) shows a similar pattern for the rates banks had to pay on short-term loans compared to the yields of short-term Treasury Bills. This increase in borrowing costs made it more costly for firms to raise the capital needed for new investment, slowing economic growth. The decline in these spreads in early 2009 was viewed as an important first step in mitigating the ongoing impact of the financial crisis on the rest of the economy.
Teaching Every Student to Think Finance

Simplified Presentation of Mathematics

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

- **Notation Boxes.** Each chapter begins with a Notation box that defines the variables and the acronyms used in the chapter and serves as a “legend” for students’ reference.
- **Numbered and Labeled Equations.** The first time a full equation is given in notation form it is numbered. Key equations are titled and revisited in the summary and in end papers.
- **Timelines.** Introduced in Chapter 3, timelines are emphasized as the important first step in solving every problem that involves cash flows over time.
- **Financial Calculator instructions**, including a box in Chapter 4 on solving for future and present values, and appendices to Chapters 4, 6, and 15 with keystrokes for HP-10bII+ and TI BAII Plus calculators, highlight this problem-solving tool.
- **Spreadsheet Tables.** Select tables are available as Excel files, enabling students to change inputs and manipulate the underlying calculations.
- **Using Excel boxes** describe Excel techniques and include screenshots to serve as a guide for students using this technology.

### Table 18.18

Pre-Form Statement of Cash Flows for KM, 2019–2024

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$100,000</td>
<td>$105,000</td>
<td>$110,000</td>
<td>$115,000</td>
<td>$120,000</td>
<td>$125,000</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>$50,000</td>
<td>$52,500</td>
<td>$55,000</td>
<td>$57,500</td>
<td>$60,000</td>
<td>$62,500</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$15,000</td>
<td>$16,000</td>
<td>$17,000</td>
<td>$18,000</td>
<td>$19,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Net Income</td>
<td>$35,000</td>
<td>$36,500</td>
<td>$38,000</td>
<td>$39,500</td>
<td>$40,000</td>
<td>$41,500</td>
</tr>
</tbody>
</table>

### Using Excel

Capital budgeting forecasts and analyses are most easily performed in a spreadsheet program. Here, we highlight a few best practices when developing your own capital budgets.

Create a Project Dashboard

All capital budgeting analyses begin with a set of assumptions regarding future revenues and costs associated with the investment. Centralize these assumptions within your spreadsheet in a project dashboard so they are easy to locate, review, and potentially modify. Here, we show an example for the HomeNet project.

**NOTES**

- **PV**
- **FV**
- **R**
- **N**
- **I/Y**
- **NPER**
- **PMT**

There are a total of five variables: number of periods (N or NPER), present value (PV), cash flow or “payment” (PMT), future value (FV), and the interest rate, denoted R (or I/Y). Each function takes four of these variables as inputs and returns the value of the fifth one that ensures the sum of the present values of the cash flows is zero.

By setting the recurring payments equal to 0, you can compute present and future values of single cash flows such as we have done above using Eqs. 4.2 through 4.4. We can calculate cash flows using the CPT button. The best way to learn to use a financial calculator is by practicing. We present one example below. We will also show the calculator buttons for any additional examples in this chapter that can be solved with financial calculator functions. Finally, the appendix to this chapter contains step-by-step instructions for using the two most popular financial calculators.

**Example**

Suppose you plan to invest $20,000 in an account paying 8% interest. You will invest an additional $1000 at the end of each year for 15 years. How much will you have in the account at 15 years? We represent this problem with the following timeline:

\[
\begin{align*}
\text{PV} & = -20,000, \\
\text{FV} & = 0, \\
\text{I/Y} & = 8, \\
\text{N} & = 15, \\
\text{PMT} & = -1000.
\end{align*}
\]

To compute this solution, we enter the four variables we know: N = 15, I/Y = 8, PV = -20,000, PMT = -$1000, and solve for the one we want to determine: FV. Specifically, for the HP-10bII+ or TI BAII Plus calculators:

1. Enter 15 and press the N button.
2. Enter 8 and press the I/Y button.
3. Enter -20,000 and press the PV button.
4. Enter -1000 and press the PMT button.
5. Press the CPT button (for the HP calculator) or the CPT button (for the Texas Instruments calculator; press CPT and then FV).

The calculator then shows a future value of $90,595.50.

Note that we entered PV and PMT as negative numbers (the amounts we are putting into the bank), and FV is shown as a positive number (the amount we can take out of the bank). It is important to use signs correctly to indicate the direction in which the money is flowing when using the calculator functions. You will see more examples of getting the sign of the cash flows correct throughout the chapter.

Excel has the same functions, but it calls “N,” “NPER” and “I/Y,” “RATE.” Also, it is important to note that you enter an interest rate of 8% as “8” in a financial calculator, but as “0.08” in Excel.
4.1 Valuing a Stream of Cash Flows

- The present value of a cash flow stream is:

\[
P(V) = C_0 + \frac{C_1}{(1 + r)^1} + \frac{C_2}{(1 + r)^2} + \cdots + \frac{C_N}{(1 + r)^N}
\]

(4.3)

stream of cash flows, p. 94

4.2 Perpetuities

- A perpetuity is a stream of equal cash flows \(C\) paid every period, forever. The present value of a perpetuity is:

\[
P(V \text{ (C in Perpetuity) }) = \frac{C}{r}
\]

(4.4)

consol, p. 98

perpetuity, p. 98

4.3 Annuities

- An annuity is a stream of equal cash flows \(C\) paid every period for \(N\) periods. The present value of an annuity is:

\[
P(V \text{ (C in Annuity) }) = C \times \frac{1}{r} \left(1 - \frac{1}{(1 + r)^N}\right)
\]

(4.5)

annuity, p. 101

- The future value of an annuity at the end of the annuity is:

\[
F(V \text{ (C in Annuity) }) = C \times \frac{1}{r} \left(\frac{1}{1 + r}^N\right) - 1
\]

(4.6)

DATA CASE

This is your second interview with a prestigious brokerage firm for a job as an equity analyst. You survived the morning interviews with the department manager and the vice president of equity. Everything has gone so well that they want to test your ability as an analyst. You are seated in a room with a computer and a list with the names of two companies—Ford (F) and Microsoft (MSFT). You have 90 minutes to complete the following tasks:

1. Download the annual income statements, balance sheets, and cash flow statements for the last four fiscal years from Morningstar (www.morningstar.com) company’s stock symbol and then go to “financials.” Copy and paste the financial statements into Excel.

2. Find historical stock prices for each firm from Yahoo Finance (finance.yahoo.com). Enter the stock symbol, click “Historical Prices” in the left column, and enter the proper date range to cover the last day of the month corresponding to the date of each financial statement. Use the closing stock prices (not the adjusted close). To calculate the firm’s market capitalization at each date, multiply the number of shares outstanding by the firm’s historic stock price. You can find the number of shares by using “Basic” under “Weighted average shares outstanding” at the bottom of the Income Statement.

End-of-Chapter Materials

Reinforce Learning

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

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

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

Working problems is the proven way to cement and demonstrate an understanding of finance.

- Concept Check questions at the end of each section enable students to test their understanding and target areas in which they need further review.

- End-of-chapter problems written personally by Jonathan Berk, Peter DeMarzo, and Jarrad Harford offer instructors the opportunity to assign first-rate materials to students for homework and practice with the confidence that the problems are consistent with the chapter content. Both the problems and solutions, which were also prepared by the authors, have been class-tested and accuracy checked to ensure quality.
Preface

Finance professors are united by their commitment to shaping future generations of financial professionals as well as instilling financial awareness and skills in non-majors. Our goal with Fundamentals of Corporate Finance is to provide an accessible presentation for both finance and non-finance majors. We know from experience that countless undergraduate students have felt that corporate finance is challenging. It is tempting to make finance seem accessible by de-emphasizing the core principles and instead concentrating on the results. In our over 75 years of combined teaching experience, we have found that emphasizing the core concepts in finance—which are clear and intuitive at heart—is what makes the subject matter accessible. What makes the subject challenging is that it is often difficult for a novice to distinguish between these core ideas and other intuitively appealing approaches that, if used in financial decision making, will lead to incorrect decisions.

The 2007–2009 financial crisis was fueled in part by many practitioners’ poor decision making when they did not understand—or chose to ignore—the core concepts that underlie finance and the pedagogy in this book. With this point in mind, we present finance as one unified whole based on two simple, powerful ideas: (1) valuation drives decision making—the firm should take projects for which the value of the benefits exceeds the value of the costs, and (2) in a competitive market, market prices (rather than individual preferences) determine values. We combine these two ideas with what we call the Valuation Principle, and from it we establish all of the key ideas in corporate finance.

New to This Edition

We have updated all text discussions and figures, tables, data cases, and facts to accurately reflect developments in the field in the last few years. Specific highlights include the following:

• Updates made throughout the text to reflect the Tax Cuts and Jobs Act of 2017. Extensive updates made to Chapter 9 (Fundamentals of Capital Budgeting), Chapter 16 (Capital Structure), and Chapter 23 (International Corporate Finance).
• Added discussion of Finance and Technology (Fintech) in Chapter 1 (Corporate Finance and the Financial Manager).
• Added a new interview with Janet L. Yellen in Chapter 5 (Interest Rates).
• Incorporated new and/or revised features throughout, including Common Mistakes, Global Financial Crisis, Nobel Prize, and General Interest boxes, as well as Examples.
• Extensively revised and updated Data Cases and end-of-chapter problems, once again personally writing and solving each one.
• Updated tables and figures to reflect current data.
Emphasis on Valuation

While the global financial crisis was not a formative experience for many of today’s students, financial topics ranging from speculative start-up valuations to sovereign debt crises continue to dominate the news. As a result, today’s undergraduate students arrive in the classroom with an interest in finance. We strive to use that natural interest and motivation to overcome their fear of the subject and communicate time-tested core principles. Again, we take what has worked in the classroom and apply it to the text: By providing examples involving familiar companies such as Starbucks and Apple, making consistent use of real-world data, and demonstrating personal finance applications of core concepts, we strive to keep both non-finance and finance majors engaged.

By learning to apply the Valuation Principle, students develop the skills to make the types of comparisons—among loan options, investments, projects, and so on—that turn them into knowledgeable, confident financial consumers and managers. When students see how to apply finance to their personal lives and future careers, they grasp that finance is more than abstract, mathematically based concepts.

Table of Contents Overview

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

<table>
<thead>
<tr>
<th>Part 1</th>
<th>Introduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ch. 1: Corporate Finance and the Financial Manager</td>
<td>Introduces the corporation and its governance; updated to include comparison of traditional trading venues, new electronic exchanges, and how the market for trading stocks is changing</td>
</tr>
</tbody>
</table>

| Ch. 2: Introduction to Financial Statement Analysis | Introduces key financial statements; Coverage of financial ratios has been centralized to prepare students to analyze financial statements holistically |

<table>
<thead>
<tr>
<th>Part 2</th>
<th>Interest Rates and Valuing Cash Flows</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ch. 3: Time Value of Money: An Introduction</td>
<td>Introduces the Valuation Principle and time value of money techniques for single-period investments</td>
</tr>
</tbody>
</table>

| Ch. 4: Time Value of Money: Valuing Cash Flow Streams | Introduces the mechanics of discounting; Includes examples with non-annual interest rates that provide time value of money applications in a personal loan context |

| Ch. 5: Interest Rates | Presents how interest rates are quoted and compounding for all frequencies; Discusses key determinants of interest rates and their relation to the cost of capital; New discussion of negative interest rates |

| Ch. 6: Bonds | Analyzes bond prices and yields; Discusses credit risk and the effect of the financial crisis on credit spreads |

| Ch. 7: Stock Valuation | Introduces stocks and presents the dividend discount model as an application of the time value of money |
### Preface

#### Part 3  Valuation and the Firm

<table>
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<tr>
<th>Chapter</th>
<th>Title</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>8</td>
<td>Investment Decision Rules</td>
<td>Introduces the NPV rule as the “golden rule” against which we evaluate other investment decision rules</td>
</tr>
<tr>
<td>9</td>
<td>Fundamentals of Capital Budgeting</td>
<td>Provides a clear focus on the distinction between earnings and free cash flow, and shows how to build a financial model to assess the NPV of an investment decision; Using Excel boxes demonstrate best-practices and sensitivity analysis</td>
</tr>
<tr>
<td>10</td>
<td>Stock Valuation: A Second Look</td>
<td>Builds on capital budgeting material by valuing the ownership claim to the firm’s free cash flows and discusses market efficiency and behavioral finance</td>
</tr>
</tbody>
</table>

#### Part 4  Risk and Return

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Description</th>
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<tbody>
<tr>
<td>11</td>
<td>Risk and Return in Capital Markets</td>
<td>Establishes the intuition for understanding risk and return; Explains the distinction between diversifiable and systematic risk; New Global Financial Crisis box “Diversification Benefits During Market Crashes”</td>
</tr>
<tr>
<td>12</td>
<td>Systematic Risk and the Equity Risk Premium</td>
<td>Develops portfolio risk, the CAPM, beta and the Security Market Line</td>
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<tr>
<td>13</td>
<td>The Cost of Capital</td>
<td>Calculates and uses the firm’s overall costs of capital with the WACC method; New Common Mistake box “Using a Single Cost of Capital in Multi-Divisional Firms”</td>
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</tbody>
</table>

#### Part 5  Long-Term Financing

<table>
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<tr>
<th>Chapter</th>
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<tr>
<td>14</td>
<td>Raising Equity Capital</td>
<td>Chapter-long example of Facebook from founding to SEO; Overview of the stages of equity financing, from venture capital to IPO to seasoned equity offerings; Discussion of crowdfunding and direct listings</td>
</tr>
<tr>
<td>15</td>
<td>Debt Financing</td>
<td>Overview of debt financing, including covenants, convertible bonds and call provisions; Other types of debt; Boxes on “Detroit’s Art Museum at Risk” and “CDOs, Subprime Mortgages, and the Financial Crisis”</td>
</tr>
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</table>

#### Part 6  Capital Structure and Payout Policy

<table>
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<tr>
<td>16</td>
<td>Capital Structure</td>
<td>Analyzes the tax benefits of leverage, including the debt tax shield; Discusses distress costs and the Tradeoff Theory</td>
</tr>
<tr>
<td>17</td>
<td>Payout Policy</td>
<td>Considers alternative payout policies including dividends and share repurchases; Analyzes the role of market imperfections in determining the firm’s payout policy</td>
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</tbody>
</table>

#### Part 7  Financial Planning and Forecasting

<table>
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<th>Chapter</th>
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<tr>
<td>18</td>
<td>Financial Modeling and Pro Forma Analysis</td>
<td>Demonstrates careful pro forma modeling of an expansion plan</td>
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<td>19</td>
<td>Working Capital Management</td>
<td>Introduces the Cash Conversion Cycle and methods for managing working capital</td>
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<tr>
<td>20</td>
<td>Short-Term Financial Planning</td>
<td>Develops methods for forecasting and managing short-term cash needs</td>
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#### Part 8  Special Topics

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<th>Title</th>
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<tr>
<td>21</td>
<td>Option Applications and Corporate Finance</td>
<td>Introduces the concept of financial options, how they are used and exercised</td>
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<tr>
<td>22</td>
<td>Mergers and Acquisitions</td>
<td>Considers motives and methods for mergers and acquisitions, including leveraged buyouts</td>
</tr>
<tr>
<td>23</td>
<td>International Corporate Finance</td>
<td>Analyzes the valuation of projects with foreign currency cash flows with integrated or segregated capital markets</td>
</tr>
</tbody>
</table>
Acknowledgments

With five editions behind us, we are heartened by the book's success and its impact on the profession by shaping future practitioners. As any textbook writer will tell you, achieving this level of success requires a substantial amount of help. First and foremost we thank Donna Battista, whose leadership, talent, and market savvy are imprinted on all aspects of the project and were central to its more than 10 years of success; Adrienne D'Ambrosio, for her efforts and commitment to the success of the book, and for taking on Donna's leadership role for this edition; Denise Clinton, a friend and a leader in fact not just in name, whose experience and knowledge were indispensable in the earliest stages; Rebecca Ferris-Caruso, for her unparalleled expertise in managing the complex writing, reviewing, and editing processes and patience in keeping us on track—it is impossible to imagine writing the first edition without her; Kate Fernandes, for her energy and fresh perspective as our former editor; Emily Biberger, for her enthusiasm and excellent guidance on this edition; Miguel Leonarte, for his central role on MyLab Finance; and Gina Linko for getting the book from draft pages into print. We were blessed to be approached by the best publisher in the business and we are both truly thankful for the indispensable help provided by these and other professionals, including Catherine Cinque, Meredith Gertz, Melissa Honig, Roxanne McCarley, and Carol Melville.

Updating a textbook like ours requires a lot of painstaking work, and there are many who have provided insights and input along the way. We would especially like to call out Jared Stanfield for his important contributions and suggestions throughout. We're also appreciative of Marlene Bellamy’s work conducting the lively interviews that provide a critically important perspective, and to the interviewees who graciously provided their time and insights.

Given the scope of this project, identifying the many people who made it happen is a tall order. This textbook was the product of the expertise and hard work of many talented colleagues. We are especially gratified with the work of those who revised the supplements that accompany the book: William Chittenden for the PowerPoint presentations; Mary R. Brown, for the Instructor's Manual; Brian Nethercutt, for the Test Bank; James Linck, for serving as advisor for the videos; and our MyLab Finance content development team, including Melissa Honig, Miguel Leonarte, Noel Lotz, and Sarah Peterson. We're also deeply appreciative of Susan White's contributions to the part-ending cases.

Creating a truly error-free text is a challenge we could not have lived up to without our team of expert error checkers. Jared Stanfield subjected the text and problem solutions to his exacting standards. We are also indebted to Jared for his adept research support throughout the writing process and Michael Wittry’s assistance in providing updates.

We are indebted to our colleagues for the time and expertise invested as manuscript reviewers, class testers, and focus group participants. We list all of these contributors on the following pages, but want to single out one group, our First Edition editorial board, for special notice: Tom Berry, DePaul University; Elizabeth Booth, Michigan State University; Julie Dahlquist, the University of Texas–San Antonio; Michaël Dewally, Marquette University; Robert M. Donchez, the University of Colorado–Boulder; Belinda Mucklow, the University of Wisconsin–Madison; Coleen Pantalone, Northeastern University; and Susan White, the University of Maryland. We strived to incorporate every contributor's input and are truly grateful for each comment and suggestion. The book has benefited enormously from this input.
Reviewers

Pankaj Agrawal, University of Maine
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