

## Chapter 1 : Fundamentals of Finance

*Bestselling Books: Principles of Corporate Finance (Mcgraw-hill/Irwin Series in Finance, Insurance, and Real Estate), Fundamentals of Corporate Finance (Mcgraw-hill/Irwin Series in Finance, Insurance, and Real Estate), Fundamentals of Corporate Finance.*

Know the various financing options available to international firms. Explain the value of capital budgeting. Understand the role of governments in affecting investment decisions. Financial Structure and Sources of Financing As demonstrated in the opening case study, governments, banks, and individuals all play a role in international financing. Businesses get external capital from these sources—capital that lets them build, expand, and grow. What is the ideal mix of debt versus equity to finance international operations? Where should these funds be invested? Multinational firms engage in both transnational financing Seeking capital from a foreign sources. Sources of financing available to firms include foreign stock exchanges, foreign bond markets, foreign banks, venture-capital firms, and funding from the parent company. Although global equity and debt markets offer firms a new way to get funding—often at lower cost than US markets—they are also complicated by foreign currency and exchange rates. Equity financing Raising capital by selling shares of stock. The stock market The organized trading of securities through exchanges. An individual or entity can purchase partial ownership in a corporation, buying shares of stock in the company. The global equity market All the stock exchanges worldwide where firms can buy and sell stock for financing an investment. Debt financing Raising capital by borrowing the money and agreeing to repay the entire amount plus agreed-on interest at a specific date in the future. Firms can borrow money from banks or by selling bonds. Firms can also obtain funding via intrafirm loans or trade credits. A trade credit Lets the customer in this case, the subsidiary buying the goods or services defer payment on the good or services for a specified period of time, typically thirty or ninety days. By borrowing capital from a parent, both the subsidiary and the parent eliminate paying transaction costs to an outside entity such as a bank, which would charge fees to make the transaction. Financing Options Available to Subsidiaries Subsidiaries can choose between two major ways to finance their operations through external sources: Raising Money in Overseas Equity Markets Multinational firms choose to raise money in foreign markets for a number of reasons. Some multinational firms raise money in both their home-country and overseas stock exchanges. One of the reasons for listing on multiple exchanges is a lower cost of capital as shares become available to global investors who might not otherwise be able to purchase shares due to international investment barriers. Emerging markets are also opening stock exchanges. In July , the Shanghai Stock Exchange became the sixth-largest stock exchange in the world based on market capitalization. Public share ownership in China remains complex with three classes of shares: A, B, and H. B-shares are denominated in Hong Kong dollars or US dollars and are generally owned by foreigners. H-shares are for China-incorporated companies traded in Hong Kong. Indeed, the Chinese government actively intervenes in its capital markets. The government also owns a relatively high number of shares in many listed companies. At the same time, the government lacks many regulations related to educating or protecting investors. A brokerage firm can allow an investor to buy and sell any amount of any security after the investor answers three questions in the following areas: Wharton, University of Pennsylvania, , 69—73, accessed October 28, , [http:](http://) Raising Money in Overseas Debt Markets Multinational firms can issue bonds in overseas markets as well as in their home countries. Even China now has an active bond market. Before April , Chinese state-owned enterprises were about the only ones issuing corporate debt in China because corporate bonds were so costly and time-consuming to issue there. Corporate bonds had to be listed on the stock exchange and approved by exchange regulators, making the process subject to political whims. State-owned enterprises raised money in the bond market to finance big infrastructure projects, and the bonds had state guarantees. In , new rules simplified the issuing process, and the Chinese government began letting foreign companies issue yuan-denominated bonds through Hong Kong in We are very confident in the Chinese market and have a strong plan to grow our business in China. Innovation and Entrepreneurship WaterHealth: Financing for Entrepreneurs in Developing Countries WaterHealth is a company that sells and leases water

purification systems for use in developing countries. The company also sells and leases special sanitary water containers that reduce the spread of waterborne diseases from contaminated ladles. WaterHealth developed ultraviolet technology to sanitize water. Consumers gain access to cheaper, cleaner water, while the local economy gains new businesses. Instead, the company collects user fees, allowing the repayment of financing costs over time.

**Investment Decisions**

**Capital Budgeting**

Capital budgeting The process of financing long-term outlays such as are used for plant expansion or research and development. During the capital-budgeting process, firms examine the initial investment that will be required, the cost of capital, and the amount of cash flow or other gains which the project will provide. When making capital-investment decisions, firms examine the initial investment that will be required, the cost of capital, and the amount of cash flow or other gains which the project will provide. The cost of capital The rate of return that a company could earn if it chose a different investment of equivalent risk. The cost of capital comes into play because firms have choices in how to put their capital to use; using the capital for one purpose precludes using it for a different purpose. Some governments court foreign borrowers by offering low-interest loans or by offering lower corporate income tax to attract investment in their countries. For example, Poland created special tax breaks for companies. These tax breaks make the country attractive for firms such as Hewlett-Packard and IBM to locate operations there. Singapore also offers subsidies to companies locating there. As corporations think about where to invest, build factories, locate offices, and source talent, they explore such opportunities actively.

**Brazil**

For the last fifteen years, Brazil has been investing heavily in education. In particular, Brazil made high school available to all citizens and invested in higher education, science, and technology. The result of these government investments is that not only does Brazil have a more educated workforce, but it has also narrowed off the gap between rich and poor and between ethnically divided segments of Brazilian society. IBM is one of the companies investing in Brazil. They can help Brazil and other countries, including the US, realize an economic expansion. The IBM Rio Operations Center, located in Cidade Nova, integrates and interconnects information from multiple government departments and public agencies in the municipality to improve city safety and responsiveness to various types of incidents, such as flash floods and landslides. Companies making foreign investments, however, must be aware of the total financial picture, including the tax environment. Brazil has a very complex tax system. What makes doing business in Brazil challenging is that the tax laws have not kept pace with the progress of modern products or services; that is, the categories of taxes do not correspond to modern-day categories of products and services. The lack of parallelism leads to confusion and misinterpretation. To deal with the difficulties, Kimberly-Clark, for example, employs seventy people—most of them native Brazilians—in its finance group in Brazil. In addition to federal taxes, Brazilian states assess their own taxes as well. Despite the difficulties, Brown says that compared to China, the Brazilian system is still more structured and capable of dealing with issues.

**Indonesia**

Indonesia is the third-largest democracy in the world and the largest economy in Southeast Asia. The country recently created an investment coordinating board to attract foreign direct investment into Indonesia. How is Indonesia making itself attractive to foreign investors? That is going to create a much higher degree of connectivity than what we have today. Despite these advances, Indonesia still restricts which industries foreign investors can invest in. Nonetheless, Indonesia has attracted some major investors, such as a large Middle Eastern investor who will build an integrated infrastructure project including a port, a rail track, and new power-generation capability. Indonesia has also convinced the Swiss firm Holcim to expand its cement capabilities in Indonesia.

**The Role of Government**

The role of government in terms of international business and finance includes passing laws and setting policies e.

**Key Takeaways**

Multinational firms have a choice in how they finance international operations. Some choose to raise capital through equity markets, issuing stock on domestic or overseas stock exchanges. Others opt for debt financing through banks or bond markets in order to not give up ownership in the firm. Capital budgeting is the process by which firms assess the relative merits of different investment choices, weighing the cost of capital and the expected returns of different investment options. Governments can play an active role in attracting firms to invest in their countries or enticing foreign borrowers by offering low-interest loans or lower corporate income taxes. What is the advantage of equity financing over debt financing? When might a company choose debt financing? Name two advantages of raising money on a

foreign stock exchange. Why is capital budgeting important to a multinational company?

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**Chapter 3 : Fundamentals of Financial Management: Books | eBay**

*For undergraduate and MBA courses in Corporate Financial Management. Fundamentals of Financial Management is the route to understanding the financial decision-making process and to interpreting the impacts that financial decisions have on value creation. Ideal for those new to financial management.*

Finance obviously has no lack of gripping topics for authors to write about. Barbarians at the Gate Interested in leveraged buyouts and junk bonds? In , Bryan Burrough and John Helyar wrote the definitive history of these financing types when they recounted the struggle involving the leveraged buyout of RJR Nabisco, a now-defunct food and cigarette conglomerate. The writers originally covered the story as reporters for the Wall Street Journal. Security Analysis Benjamin Graham and David Dodd wrote the "bible" of fundamental equity investing in this classic, first published in The Intelligent Investor Benjamin Graham also wrote this guide to long-term investing approaches. Graham uses his book to map out and advocate for his preferred value approach to investing. For more on Graham, see: Common Sense on Mutual Funds John Bogle , founder of the Vanguard Group mutual fund company, came out with his guide for mutual fund investors in The British journalist Charles Mackay explored these and other crises in his classic. He chronicles his own work experiences and also offers a big-picture take on Wall Street during a boom time when the mortgage-backed security market caught fire. Freakonomics Are you interested in learning how the world really works? This book by economist Steven D. Levitt and journalist Stephen Dubner looks beneath the surface of various everyday and not so everyday situations and breaks down how things work. You might be surprised. The book also explores the economics of the worlds of drug dealing and Sumo wrestling, among a wide array of other topics. For related reading, see: Competitive Strategy In this book, Harvard Business School professor Michael Porter looks at what creates competitive advantage in a particular industry. Manias, Panics, and Crashes: The Financial Crisis In Review. People are constantly investing their time and energy in the world as citizens, business owners and consumers. In her book, Katherine Collins says what is needed is a transformation of the investment process. These issues can cause decisions to be put on hold or fail to be properly implemented. The book is geared toward financial advisors and investors looking to expand their technical knowledge of the evidence-based investing world. In it they look at portfolio construction and offer a roadmap for investors who want to refine their portfolio. They also offer information on what it takes to build a more efficient portfolio, all based on hard data and research. His analysis can help investors and advisors come up with reasonable expectations and value-added investing ideas as it explores the fundamental principles that drive the stock market. These methods are considered the starting point for all top-down analysis. Using these techniques should help investors gain insight into technical methodologies and find indications of nascent trends. It offers tools managers can use to be better leaders and ways they can contribute to sustainable growth in their firms. How to Be a Top Financial Advisor. How to Master the Art of Selling Sales is about getting people to trust and accept you and to buy a product or an idea. In his book, Tom Hopkins offers hundreds of ideas for improving sales skills based on proven techniques and strategies. Readers will get tips on how to increase their sales and have their common concerns and questions addressed in an easy-to-read fashion. Readers will learn the art of persuasion and how to adapt it to their business. The first system is a fast, intuitive and emotional one. He also explores the effect of cognitive biases on behavior as varied as investors playing the stock market to families planning their yearly vacation. Kahneman shows how human thinking can be better understood by knowing how these two systems shape judgment and decision-making. Unique Process Advisors Over the last 20 years, there have been two important changes in the financial advisory business, according to Dan Sullivan. One is the majority of advisors have lost much of their entrepreneurial freedom due to bureaucratic and regulatory constraints. The Bottom Line The world of finance is a source of endless material for writers and has resulted in fascinating stories. Trading Center Want to learn how to invest? Get a free 10 week email series that will teach you how to start investing. Delivered twice a week, straight to your inbox.

## Chapter 4 : Fundamentals of Financial Management, Concise Edition 9th Edition

*Fundamentals of Corporate Finance 's utilized perspective cements your understanding of fashionable-day core guidelines, specializing in disadvantage fixing and precise-life financial administration practices"all inside a clear valuation framework.*

Ads Book Preface When the first edition of Fundamentals was published 38 years ago, we wanted to provide an introductory text that students would find interesting and easy to understand. Fundamentals immediately became the leading undergraduate finance text, and it has maintained that position ever since. However, over the years as Fundamentals got larger and larger, we heard more and more often that it was difficult to cover the entire book in a single term. These concerns led us to create Fundamentals of Financial Management Concise 21 years ago. As is the case with Fundamentals, our continuing goal is to produce a book and ancillary package that sets a new standard for finance textbooks. Finance is an exciting and continually changing field. Since the last edition, many important changes have occurred within the global financial environment. In the midst of this changing environment, it is certainly an interesting time to be a finance student. In this latest edition, we highlight and analyze the events leading to these changes from a financial perspective. Although the financial environment is ever changing, the tried-and-true principles that the book has emphasized for nearly four decades are now more important than ever. Structure of the Book Our target audience is a student taking his or her first, and perhaps only, finance course. Some of these students will decide to major in finance and go on to take courses in investments, money and capital markets, and advanced corporate finance. Others will choose marketing, management, or some other nonfinance business major. Still others will major in areas other than business and take finance plus a few other business courses to gain information that will help them in law, real estate, or other fields. Our challenge has been to provide a book that serves all of these audiences well. We concluded that we should focus on the core principles of finance, including the basic topics of time value of money, risk analysis, and valuation. Moreover, we concluded that we should address these topics from two points of view: Both investors and managers need to understand the same set of principles, so the core topics are important to students regardless of what they choose to do after they finish the course. Included were an overview of financial markets, methods used to estimate the cash flows that determine asset values, the time value of money, the determinants of interest rates, the basics of risk analysis, and the basics of bond and stock valuation procedures. We cover these core topics in the first nine chapters. Next, because most students in the course will probably work for a business firm, we want to show them how the core ideas are implemented in practice. Therefore, we go on to discuss cost of capital, capital budgeting, capital structure, dividend policy, working capital management, financial forecasting, and international operations. Nonfinance majors sometimes wonder why they need to learn finance. As we have structured the book, it quickly becomes obvious to everyone why they need to understand time value, risk, markets, and valuation. Virtually all students enrolled in the basic course expect at some point to have money to invest, and they quickly realize that the knowledge gained from Chapters 1 through 9 will help them make better investment decisions. Moreover, students who plan to go into the business world soon realize that their own success requires that their firms be successful, and the topics covered in Chapters 10 through 17 will be helpful here.

### Chapter 5 : Fundamentals of Corporate Finance (Pearson Series in Finance) - Ebook pdf and epub

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### Chapter 6 : Fundamentals of Corporate Finance by Stephen A. Ross

*Great book to understand the basics of corporate finance. My only issue is that it is too focused on the mathematical background rather than showing how to develop the problems in Excel, which is the actual way professionals make their*

*calculations nowadays.*

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