



Foundations of Financial Management, 17th ed.
Block, Hirt, and Danielsen

Hardcover / 2019©
ISBN: 9781260013917 / 126001391X

Successful improvements from the previous editions that have built on in the 17th edition include:

Chapter introductions, Tables, Finance in Action Boxes and Web Exercises have all been revised with new data or new examples.

Functional Integration and Contemporary Coverage We have taken care to include real-world examples, easily recognized by students to illustrate financial concepts presented in the text. The examples are applicable to finance students as well as marketing, management, and accounting majors.

Small Business Since over two-thirds of the jobs created in the U.S. economy are from small businesses, we have continued to note when specific financial techniques are performed differently by large and small businesses.

Comprehensive International Coverage We have updated and expanded coverage of international companies, markets and events throughout the text.

Chapter by Chapter Changes

Chapter 1 Coverage of behavioral finance has been enhanced with the inclusion on Richard Thaler's Nobel Prize in Behavioral Finance as well as Eugene Fama's Nobel Prize for his work on the efficient market hypothesis. The section on "Forms of Organization" includes the impact of the 2017 Tax Cuts and Jobs Act on all types of organizations including C Corporations, S corporations and all forms of pass through structures such as Sole Proprietorships, Partnerships and Limited Liability Companies. Both the Finance in Action box on Endangered Public Companies and the FIA box on 3M were revised. The Web Exercise was also revised to make it consistent with the current website.

Chapter 2 All of the tables have been updated or revised. The discussion of how depreciation, taxes, and cash flows are linked has been clarified. The Finance in Action box describing corporate “tax inversions” has been significantly revised with reference to the 2017 Tax Cuts and Jobs Act and also includes a graphic of worldwide corporate tax rates from the OECD. The section on “Income Tax Considerations” includes an updated discussion of the 2017 Tax Cuts and Jobs Act including its impact on the cost of a tax deductible expense, depreciation as a tax shield and the resultant cash flow. The PepsiCo Web Exercise has been updated.

Chapter 3 The introduction comparing Colgate-Palmolive with Procter & Gamble has been revised and updated. Tables 3-4, 3-5, 3-6 and 3-8 have been revised to be more consistent with the new corporate tax rates. Abercrombie & Fitch has been replaced with Target in the DuPont model and in the comparison to Walmart Stores Inc. The discussion of Liquidity ratios has been revised. The Apple and IBM ratio comparisons have been updated with new numbers. The discussion on deflation has been revised to bring it up to date with the current economic environment. The IBM Web Exercise has been revised.

Chapter 4. The introduction has been updated as well as the Finance in Action box describing the interaction of Tesla’s marketing and financial forecasting activities. The section on “Percentage-of-Sales Method” has been slightly revised to bring more clarity to the discussion. The Web Exercise on Barnes and Noble has been updated and revised.

Chapter 5 The introduction discussing the airline industry and the cost of oil has been updated with new data. The discussion of the degree of operating leverage replaces Dow Chemical with American Airlines. A new Finance in Action box using Apple to demonstrate leverage replaces the old FIA box on the Intel Corporation. The Web Exercise on United Airlines has been updated and revised.

Chapter 6 The FIA Box on RFID technology has been updated. Figure 6-2 featuring Briggs & Stratton has been revised with new data and the discussion describing the cyclicity has been modified. Figure 6-3 comparing seasonal sales and earnings per share of Macy’s and Target has been updated with new data and the analysis is revised to be consistent with the new Figure. Figures 6-9 and 6-10, and 6-11 and all of the data and discussion about yield curves, interest rates, working capital, and current ratios have been updated including the Web Exercise at the end of the problem set.

Chapter 7 The FIA box in working capital has been updated. The section discussing a lockbox system has been expanded. Figure 7-4 and the discussion of SWIFT have been revised. Table 7-1 has been updated with 2018 data. For a change of pace and little fun, a new FIA Box features the inventory control system in the International Space Station. The Web Exercise has been revised to work with the new website at the B2B company Perfect Commerce.

Chapter 8 The chapter introduction featuring Yum Brands credit agreements has been updated to reflect new agreements. Figures 8-1 and 8-2, as well as Table 8-1 have been revised with new data and discussion of interest rates and commercial paper. The Finance in Action box on the LIBOR Price Fixing Scandal has been revised, as has the FIA box on Lending Club’s initial public offering. The Web Exercise on General Electric Capital has been significantly revised given GE’s exit from many of its previous activities.

Chapter 9 The calculator appendix previously found at the end of Chapter 10 has been moved to chapter 9 and is appendix 9C. The FIA box has been rewritten to include the August 2017 Jackpot winner of \$758 million.

Chapter 10 The introduction to the chapter featuring Coca Cola has been revised. Table 10-4 has been updated and the discussion describing the table has been revised. The Web Exercise featuring ExxonMobil has been revised to coincide with changes to the website.

Chapter 11 Table 11-2 and the corresponding financial calculator example on Yield to Maturity has been revised with new numbers using the “goal seek” function in Excel’s RATE function. The information in Table

11-3 has been replaced with new data. And the cost of debt capital example has been changed to be more consistent with a lower tax rate. Table 11-4 on long-term debt has been updated. The numbers in the cost of common equity have changed. The practice problems and most of the homework problems have been revised to reflect 25% and 21% tax rates. The Web Exercise has been changed to be consistent with changes in Intel's website.

Chapter 12 The section on accounting vs. cash flows has been updated to reflect the impact of lower tax rates. The section on the rules of depreciation is new with a discussion of how the 2017 Tax Cuts and Jobs Act modified the rules. The "Tax Rate" section is new and includes the impact of the 2017 Tax Cuts and Jobs Act and also how state tax rates can affect the average tax rate. Table 12-14 on cash flow related to the purchase of machinery has been revised as well as Table 12-15 on net present value. The whole section on the replacement decision now reflects lower tax rates and has been comprehensively revised including all tables. The section on elective expensing has been rewritten to reflect the new 2018 tax code. The practice problem sets and many of the homework problems have been updated with lower tax rates. The Web Exercise featuring Texas Instruments has been updated.

Chapter 13 The introduction on Apache Corp. has been updated. Table 13-2 has been updated with new information and the web exercise is changed to be consistent with Alcoa's website

Chapter 14 The entire section on International Capital Markets has been rewritten and updated with figure 14-1 being new and table 14-1 updated. Figure 14-2 now has two panels analyzing internally generated funds and the relationship between earnings, dividends, retained earnings and depreciation. Modest updates were made on the U.S. markets and Table 14-2 covering foreign stock exchanges now examines markets by geographical regions. The Web Exercise has been revised to coincide with changes to the NYSE website.

Chapter 15 The introduction has been rewritten and Table 15-1 is populated with new IPO data from 2014 through January 2018. Table 15-1 includes IPOs from Saudi Arabia, Italy, Hong Kong, India, Brazil and the United States. The global ranking of investment bankers has been updated to include 2016 versus 2017. Table 15-3 now focuses on the leading investment banker by fees generated rather than revenue generated and is current through 2017. It also ranks the leaders by category, by regions and by industries. Table 15-4 has been added and focuses on fees and number of deals by the four areas of M&A, equity offerings, bond offerings and loans for the four quarters in 2017. Table 15-7 updates the information of debt and equity capital markets book-runner rankings. The Web Exercise has been updated.

Chapter 16 All tables and real-world examples have been updated. Material linking the time series of Walmart's leverage levels and times-interest earned ratios to changes in long-term interest rates over the last two decades has been updated. Figure 16-3 has been updated to include the last three years of data. A new Finance in Action box featuring bonds issued by Inter Milan has replaced the old box on Alibaba bonds. Perhaps the most significant change to the chapter is an entirely new section on "Leasing as a Form of Debt" that was driven by recent changes in generally accepted accounting standards (GAAP). Appendix 16b on Lease-versus-purchase has been deleted. As in the other chapters the Web Exercise has been updated.

Chapter 17 The introductory example of Tower Jazz has been updated and modified and the name changed to Tower Semiconductor. All the information in Table 17-1 has been updated. The Finance in Action box on Hewlett Packard has been replaced with a new FIA box on Facebook's with a focus on corporate governance and a comparison of Facebook with Apple and 3M on stewardship, environment, social and governance. Table 17-2 on rights offerings has been updated with new data. Table 17-3 has been replaced with new data and expanded to include deposit receipts by major world markets. Finally, the impact of the 2017 Tax Cuts and Jobs Act on preferred stock has been included as it significantly changes the tax treatment by corporations owning preferred stock of other companies. The Web Exercise on 3M has been revised.

Chapter 18 The introduction has been amended to include the purchase of SABMiller by Anheuser-Busch.

Table 18-1 has been updated with new numbers, as has the Finance in Action box on Dividend Aristocrats. Figure 18-2 now features the Standard & Poors 500 Index for dividends, retained earnings and total profit and the text describing Figure 18-2 has been significantly revised. The new tax rates for the Tax Cuts and Jobs Act of 2017 are now presented in Table 18-3. The impact of the new tax law on capital gains and dividends is discussed. Because the 2017 Tax Cuts and Jobs Act will allow companies to repatriate over \$1 trillion of cash held overseas, Table 18-8 features companies announcing stock repurchases in December of 2017 after the tax act was passed. The amount totals over \$100 billion. An entirely new Facebook Web Exercise is presented.

Chapter 19 The introduction replaces AAR Corp. with BioMarin Pharmaceutical. Tables 19-1, 19-2, 19-3 and 19-5 have all been revised with new companies and data. The discussions pertaining to each table have been modified to focus on the impact of the new data. The Web Exercise has been revised to coincide with the CBOE website.

Chapter 20 The introduction includes an update on Berkshire Hathaway's purchase of Pilot Flying J. Table 20-1 has been updated to present the largest mergers from 2010 to 2018. Figure 20-1 presents mergers and acquisitions in North America from 1985 to 2017. Information on tax inversions has been changed to recognize that the 2017 Tax Cuts and Jobs Act makes tax inversions unnecessary. The example of a tax loss carry-forward has been modified to reflect a lower corporate tax rate. The section on hostile merger takeover activities uses the Broadcom attack on Qualcomm as an example and Figure 20-3 shows the decline in hostile merger & acquisition activity between 1985 and 2017. The Web Exercise on Berkshire Hathaway has been modified.

Chapter 21 International financial management tables and figures of exchange rates and currency cross rates have been updated with current data. The hedging examples using forward and futures contracts have been updated with the text reflecting the new data found in the currency cross rates Table 21-2. The Finance in Action box on how Coca-Cola manages currency risk has been updated. The impact of the 2017 tax law on the deferral of taxes on foreign earnings is discussed. The Finance in Action Box on political risk in Argentina has been updated.