Corporate Finance: Core Principles and Applications
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Corporate Finance: Core was developed for the graduate (MBA) level as a concise, up-to-date, and to-the-point product, the majority of which can be realistically covered in a single term or course. To achieve the objective of reaching out to the many different types of students and the varying course settings, corporate finance is distilled down to its core, while maintaining a decidedly modern approach. Purely theoretical issues are downplayed, and the use of extensive and elaborate calculations is minimized to illustrate points that are either intuitively obvious or of limited practical use. The goal was to focus on what students really need to carry away from a principles course. A balance is struck by introducing and covering the essentials, while leaving more specialized topics to follow-up courses. Net present value is treated as the underlying and unifying concept in corporate finance. Every subject covered is firmly rooted in valuation, and care is taken throughout to explain how particular decisions have valuation effects. Also, the role of the financial manager as decision maker is emphasized, and the need for managerial input and judgment is stressed.

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NEW AND NOTEWORTHY TO THE SIXTH EDITION

All chapter openers and examples have been updated to reflect the financial trends and turbulence of the last several years. In addition, we have updated the end-of-chapter problems in every chapter. We have tried to incorporate the many exciting new research findings in corporate finance.

- The Tax Cuts and Jobs Act of 2017 is incorporated throughout. This major legislation covers many aspects of corporate finance, including (but not limited to):
  - Corporate tax. The new, flat-rate 21 percent corporate rate is discussed and compared to the old progressive system. Entities other than C corporations still face progressive taxation, so the discussion of marginal versus average tax rates remains relevant and is retained.
  - Bonus depreciation. For a limited time, businesses can take a 100 percent depreciation charge the first year for most non-real estate, MACRS-qualified investments.
  - Limitations on interest deductions. The amount of interest that may be deducted for tax purposes is limited. Interest that cannot be deducted can be carried forward to future tax years (but not carried back; see next).
  - Carrybacks. Net operating loss (NOL) carrybacks have been eliminated and NOL carryforward deductions are limited in any one tax year.
  - Dividends-received tax break. The tax break on dividends received by a corporation has been reduced, meaning that the portion subject to taxation has increased.
  - Repatriation. The distinction between U.S. and non-U.S. profits essentially has been eliminated. All “overseas” assets, both liquid and illiquid, are subject to a one-time “deemed” tax.

- In the 12 years since the “financial crisis” or “great recession,” we see that the world’s financial markets are more integrated than ever before. The theory and practice of corporate finance has been moving forward at a fast pace and we endeavor to bring the theory and practice to life with completely updated chapter openers, many new modern examples, and completely updated end-of-chapter problems and questions.

- In recent years we have seen unprecedented high stock and bond values and returns as well as historically low interest rates and inflation.

- Chapter 10 Risk and Return: Lessons from Market History updates and internationalizes our discussion of historical risk and return. With updated historical data, our estimates of the equity risk premium are on stronger footing and our understanding of the capital market environment is heightened.

- Given the importance of debt in most firms’ capital structure, it is a mystery that many firms use no debt. There is new and exciting research of this “no debt” behavior that sheds new light on how firms make actual capital structure decisions.

- Chapter 15 Capital Structure: Limits to the Use of Debt explores this new research and incorporates it into our discussion of Capital Structure.

- Chapter 16 Dividends and Other Payouts updates the record of earnings, dividends, and repurchases for large U.S. firms. The recent trends show repurchases far outpacing dividends in firm payout policy. Because firms may use dividends or repurchases to pay out cash to equity investors, the recent importance of repurchases suggests a changing financial landscape.

- There are several twists and turns to the calculation of the firm’s weighted average cost of capital. Because the weighted average cost of capital is the most important benchmark we use for capital budgeting and represents a firm’s “opportunity cost,” its calculation is critical. We update our estimates of Eastman Chemical’s cost of capital using readily available data from the internet to distinguish the nuances of this calculation.

Our attention to updating and improving also extended to the extensive collection of support and enrichment materials that accompany the text. Working with many dedicated and talented colleagues and professionals, we continue to provide supplements that are unrivaled at the graduate level (a complete description appears in the following pages). Whether you use just the textbook, or the book in conjunction with other products, we believe you will be able to find a com
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