



**Essentials of Corporate Finance, 10<sup>th</sup> edition**  
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**Chapter-by-Chapter Changes**

Selected Topics	Benefits to Users
<p><b>Chapter 1</b></p> <p><i>New opener</i> discussing Uber</p> <p><i>Updated Finance Matters</i> box on corporate ethics</p> <p><i>Updated</i> information on executive and celebrity compensation</p> <p><i>Updated Work the Web</i> box on stock quotes</p> <p>Goal of the firm and agency problems</p> <p>Ethics, financial management, and executive compensation</p>	<p>Describes ethical issues in the context of mortgage fraud, offshoring, and tax havens.</p> <p>Highlights important development regarding the very current question of appropriate executive compensation.</p> <p>Stresses value creation as the most fundamental aspect of management and describes agency issues that can arise.</p> <p>Brings in real-world issues concerning conflicts of interest and current controversies surrounding ethical conduct and management pay.</p>

New proxy fight example involving Trian Partners and Procter & Gamble

New takeover battle discussion involving Verizon and Yahoo!

## Chapter 2

New opener discussing the Tax Cuts and Jobs Act of 2017

Cash flow vs. earnings

Clearly defines cash flow and spells out the differences between cash flow and earnings.

Market values vs. book values

Emphasizes the relevance of market values over book values.

New discussion of corporate taxes in light of the TCJA

## Chapter 3

Additional explanation of alternative formulas for sustainable and internal growth rates

Expanded explanation of growth rate formulas clears up a common misunderstanding about these formulas and the circumstances under which alternative formulas are correct.

*Updated* opener on PE ratios

*Updated* examples on Amazon vs. Alibaba

*Updated Work the Web* box on financial ratios

Discusses how to find and analyze profitability ratios.

*Updated Finance Matters* box on financial ratios

Describes how to interpret ratios.

## Chapter 4

First of two chapters on time value of money

Relatively short chapter introduces just the basic ideas on time value of money to get students started on this traditionally difficult topic.

Updated *Finance Matters* box on collectibles

## Chapter 5

Second of two chapters on time value of money

Covers more advanced time value topics with numerous examples, calculator tips, and Excel spreadsheet exhibits. Contains many real-world examples.

*Updated* opener on professional athletes' salaries

Provides a real-world example why it's important to properly understand how to value costs incurred today versus future cash inflows.

Updated *Finance Matters* box on lotteries

Updated *Finance Matters* box on student loans

## **Chapter 6**

*New* opener on negative interest on various sovereign bonds

Discusses the importance of interest rates and how they relate to bonds.

Bond valuation

Thorough coverage of bond price/yield concepts.

*Updated* bond features example using Sprint issue

Interest rates and inflation

Highly intuitive discussion of inflation, the Fisher effect, and the term structure of interest rates.

*Updated* "fallen angels" example using Teva Pharmaceuticals issue

"Clean" vs. "dirty" bond prices and accrued interest

Clears up the pricing of bonds between coupon payment dates and also bond market quoting conventions.

*Updated* Treasury quotes exhibit and discussion

Up-to-date discussion of relatively new type of call provision that has become very common.

*Updated* historic interest rates figure

FINRA's TRACE system and transparency in the corporate bond market

Up-to-date discussion of new developments in fixed income with regard to price, volume, and transactions reporting.

"Make-whole" call provisions

Up-to-date discussion of relatively new type of call provision that has become very common.

## **Chapter 7**

Stock valuation

Thorough coverage of constant and nonconstant growth models.

*Updated* opener on difference in dividend payouts

*Updated* discussion of the NYSE, including its acquisition by ICE and rising role of technology of the floor

Up-to-date description of major stock market operations.

*Updated Finance Matters* box on the OTCBB and the Pink Sheets markets

## **Chapter 8**

*Updated* opener on GE's "Ecomagination" program

First of two chapters on capital budgeting

NPV, IRR, MIRR, payback, discounted payback, and accounting rate of return

Illustrates the growing importance of "green" business.

Relatively short chapter introduces key ideas on an intuitive level to help students with this traditionally difficult topic.

Consistent, balanced examination of advantages and disadvantages of various criteria.

## **Chapter 9**

Project cash flow

*New* opener on project failures and successes

*New* discussion of bonus depreciation

Scenario and sensitivity "what-if" analyses

Thorough coverage of project cash flows and the relevant numbers for a project analysis.

Shows the importance of properly evaluating net present value.

Illustrates how to actually apply and interpret these tools in a project analysis.

## **Chapter 10**

*Updated* opener on stock market performance

Capital market history

Market efficiency

Geometric vs. arithmetic returns

*Updated Finance Matters* box on professional fund management and performance

Discusses the relationship between risk and return as it relates to personal investing.

Extensive coverage of historical returns, volatilities, and risk premiums.

Efficient markets hypothesis discussed along with common misconceptions.

Discusses calculation and interpretation of geometric returns. Clarifies common misconceptions regarding appropriate use of arithmetic vs. geometric average returns.

## **Chapter 11**

Diversification, systematic, and unsystematic risk

*Updated* opener on stock price reactions to

Illustrates basics of risk and return in a straightforward fashion.

announcements

*Updated* beta coefficients exhibit and associated discussion

*New* discussion of alpha

Develops the security market line with an intuitive approach that bypasses much of the usual portfolio theory and statistics.

## **Chapter 12**

Cost of capital estimation

Intuitive development of the WACC and a complete, web-based illustration of cost of capital for a real company.

*Updated* WACC calculations for Eastman

Geometric vs. arithmetic growth rates

Both approaches are used in practice. Clears up issues surrounding growth rate estimates.

Updated section on company valuation with the WACC

Explores the difference between valuing a project and valuing a company.

## **Chapter 13**

Basics of financial leverage

Illustrates effect of leverage on risk and return.

Optimal capital structure

Describes the basic trade-offs leading to an optimal capital structure.

*New* chapter opener on Tax Cuts and Jobs Act

*New* discussion of the effects of the TCJA on corporate taxes

Financial distress and bankruptcy

Briefly surveys the bankruptcy process.

## **Chapter 14**

*Updated* opener with Apple dividend announcement

Raises questions about why raising dividends and repurchasing stock would please investors.

*Updated* figures on aggregate dividends, stock repurchases, and proportion of firms paying dividends

Brings students the latest thinking and evidence on dividend policy.

Dividends and dividend policy

Describes dividend payments and the factors favoring higher and lower payout policies. Includes recent survey results on setting dividend policy.

*Updated* examples and *Finance Matters* box covering buyback activity

Explores the reasons that buybacks are gaining in popularity now, following the recent recession.

## Chapter 15

IPO valuation

Extensive, up-to-date discussion of IPOs, including the 1999–2000 period and the recent Alibaba IPO.

Dutch auctions

Explains uniform price (“Dutch”) auctions using Google IPO as an example.

*New subsection on crowdfunding*

Discusses the JOBS Act and crowdfunding.

*New subsection on initial coin offerings*

*New discussion of direct listing*

*Updated tables and figures on IPO initial returns and number of offerings*

## Chapter 16

Operating and cash cycles

Stresses the importance of cash flow timing.

Short-term financial planning

Illustrates the creation of cash budgets and the potential need for financing.

*Updated Finance Matters box discussing operating and cash cycles*

Explores how comparing the cash cycles of companies can reveal whether a company is performing well.

## Chapter 17

Cash collection and disbursement

Examination of systems used by firms to handle cash inflows and outflows.

Credit management

Analysis of credit policy and implementation.

Inventory management

Brief overview of important inventory concepts.

## Topics in Business Finance

*New opener on corporate cash held in international accounts*

Raises questions about how currency appreciation affects the broader economy.

Foreign exchange

Covers essentials of exchange rates and their determination.

International capital budgeting

Shows how to adapt the basic DCF approach to handle exchange rates.

*Updated discussion of exchange rates and political risk*

Discusses hedging and issues surrounding sovereign risk.

New discussion of the Tax Cuts and Jobs Act

Discusses how U.S. legislation changes the way that corporations manage their profits to minimize taxes.