

PEARSON CANADA PROUDLY PRESENTS

Fundamentals of Corporate Finance, Canadian Edition with MyFinanceLab

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With a consistency in presentation and an innovative set of learning aids, *Corporate Finance, Canadian Edition*, simultaneously meets the needs of both future financial managers and non-financial managers. This textbook truly shows every student how to “think finance.”

Valuation as the Unifying Framework

This book presents corporate finance as an application of a subset of simple, powerful ideas. The first is that valuation drives decision making—the firm should take projects for which the value of the benefits exceeds the value of the costs. The second is that in a competitive market, market prices (rather than individual preferences) determine values. The combination of these two ideas is what we call the Valuation Principle, and from it we establish all of the key ideas in corporate finance, including the NPV rule, security pricing, the relation between risk and return, and the tradeoffs associated with capital structure and payout policies.

Emphasis on Application

Applying the Valuation Principle provides skills to make the types of comparisons— among loan options, investments, and projects—that will turn students 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.

Reinforcement of the Basic Tools

Chapter 3 briefly introduces the time value of money for single-period investments as a critical component of the Valuation Principle. Chapter 4 then focuses on the time value of money for cash flows lasting several periods. Finally, Chapter 5 demonstrates how interest rates are quoted and determined.

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Focus on Capital Budgeting

The capital budgeting decision is one of the most important decisions in corporate finance. We emphasize it early in the textbook, by introducing the NPV rule in Chapter 3 to weigh the costs and benefits of a decision. This early introduction to capital budgeting allows us to present the idea of the cost of capital conceptually, which then motivates the risk and return coverage.

New Ideas

Fundamentals of Corporate Finance carefully balances the latest advancements in research and practice with thorough coverage of core finance topics. Innovations that distinguish this textbook include the following:

- Chapter 9 on stock valuation values a firm's equity by considering its future dividends, free cash flows, or how its value compares to that of similar, publicly traded companies.
- Chapter 16 on payout policy examines the role of asymmetric information between managers and investors and how payout decisions may signal this information.
- Chapter 17 distinguishes between sustainable and value-increasing growth with a focus on determining whether "growth" will increase or decrease the value of the firm.

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