

# Brief contents

*Preface* xvii

*Book plan* xx

---

## PART 1 INTRODUCTION 1

1 Financial decision making 3

2 Decision objectives 14

---

## PART 2 INVESTMENT DECISIONS 31

3 Traditional methods of investment appraisal 33

4 Investment–consumption decision model 50

5 The discounted cash flow approach 67

6 Net present value and internal rate of return 94

7 Project cash flows 125

8 Capital rationing 148

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## PART 3 RISK ANALYSIS 177

9 Simple risk techniques 179

10 Risk and return 204

11 Portfolio theory 226

12 The capital asset pricing model 255

13 Option valuation 291

14 Interest rate risk 325

---

## PART 4 FINANCING DECISIONS 353

15 Financial markets 355

16 The cost of capital 379

17 Weighted average cost of capital 420

18 Capital structure in a simple world 442

|    |                                       |     |
|----|---------------------------------------|-----|
| 19 | Capital structure in a complex world  | 462 |
| 20 | Capital structure in practice         | 488 |
| 21 | Investment and financing interactions | 506 |
| 22 | The dividend decision                 | 534 |

---

## PART 5 MERGERS AND ACQUISITIONS 551

|    |                       |     |
|----|-----------------------|-----|
| 23 | Acquisition decisions | 553 |
| 24 | Company valuation     | 577 |

---

## PART 6 INTERNATIONAL ISSUES 593

|    |                           |     |
|----|---------------------------|-----|
| 25 | Foreign exchange          | 595 |
| 26 | Foreign exchange hedging  | 615 |
| 27 | Foreign direct investment | 642 |

|               |  |     |
|---------------|--|-----|
| <i>Tables</i> |  | 667 |
|---------------|--|-----|

|                                     |  |     |
|-------------------------------------|--|-----|
| <i>Answers to quickie questions</i> |  | 673 |
|-------------------------------------|--|-----|

|                            |  |     |
|----------------------------|--|-----|
| <i>Answers to problems</i> |  | 699 |
|----------------------------|--|-----|

|              |  |     |
|--------------|--|-----|
| <i>Index</i> |  | 783 |
|--------------|--|-----|

# Detailed contents

|                  |      |
|------------------|------|
| <i>Preface</i>   | xvii |
| <i>Book plan</i> | xx   |

---

## PART 1 INTRODUCTION 1

### Chapter 1 *Financial decision making* 3

|  |    |
|--|----|
| The nature of financial decisions        | 3  |
| The decision process                     | 4  |
| Financial decision making                | 6  |
| Technology and financial decision making | 11 |
| Summary                                  | 12 |
| Notes                                    | 12 |
| Quickie questions                        | 13 |

### Chapter 2 *Decision objectives* 14

|   |    |
|---|----|
| Wealth maximization and the company                               | 14 |
| Ownership and control   | 15 |
| Regulation of the relationship between directors and shareholders | 16 |
| Incentive scheme criteria   | 23 |
| When incentive schemes and regulation are ineffective             | 26 |
| Conclusion  | 27 |
| Summary   | 28 |
| Notes   | 29 |
| Further reading   | 29 |
| Quickie questions   | 30 |
| Problems  | 30 |

---

## PART 2 INVESTMENT DECISIONS 31

### Chapter 3 *Traditional methods of investment appraisal* 33

|                            |    |
|----------------------------|----|
| Introduction               | 33 |
| The payback method         | 34 |
| Return on capital employed | 41 |
| Conclusions                | 44 |
| Summary                    | 44 |
| Notes                      | 45 |
| Further reading            | 47 |
| Quickie questions          | 47 |
| Problems                   | 48 |

|                  |  |     |
|------------------|--|-----|
| <b>Chapter 4</b> | <i>Investment–consumption decision model</i>         | 50  |
|                  | Introduction to the model                            | 50  |
|                  | The time value of money                              | 51  |
|                  | The basic graphical analysis                         | 53  |
|                  | Introduction of capital markets                      | 55  |
|                  | The separation theorem                               | 57  |
|                  | The conclusions of the basic model                   | 61  |
|                  | Payback and ROCE                                     | 62  |
|                  | Summary  | 62  |
|                  | Notes  | 63  |
|                  | Further reading                                      | 65  |
|                  | Quickie questions                                    | 65  |
|                  | Problem  | 66  |
| <b>Chapter 5</b> | <i>The discounted cash flow approach</i>             | 67  |
|                  | Net present value                                    | 67  |
|                  | Alternative interpretations of NPV                   | 73  |
|                  | Internal rate of return                              | 78  |
|                  | Discounted payback                                   | 83  |
|                  | Truncated NPV  | 84  |
|                  | Summary  | 85  |
|                  | Appendix: compounding and discounting                | 85  |
|                  | Notes  | 89  |
|                  | Further reading                                      | 90  |
|                  | Quickie questions                                    | 90  |
|                  | Problems   | 91  |
| <b>Chapter 6</b> | <i>Net present value and internal rate of return</i> | 94  |
|                  | NPV and project interdependence                      | 94  |
|                  | IRR rule and interdependent projects                 | 99  |
|                  | Extending the time horizon                           | 108 |
|                  | Multiple IRRs  | 109 |
|                  | Other problems with the IRR rule                     | 113 |
|                  | The modified IRR                                     | 114 |
|                  | NPV versus IRR: Conclusion                           | 115 |
|                  | The replacement cycle problem                        | 116 |
|                  | Summary  | 119 |
|                  | Notes  | 120 |
|                  | Further reading                                      | 121 |
|                  | Quickie questions                                    | 121 |
|                  | Problems   | 122 |
| <b>Chapter 7</b> | <i>Project cash flows</i>                            | 125 |
|                  | Investment appraisal and inflation                   | 125 |
|                  | Inflation and the IRR rule                           | 130 |
|                  | Investment appraisal and taxation                    | 131 |

|   |            |
|---|------------|
| Financing cash flows                            | 132        |
| Investment appraisal and the relevant cash flow | 136        |
| Summary   | 141        |
| Appendix: the UK corporate tax system           | 141        |
| Notes   | 142        |
| Further reading                                 | 143        |
| Quickie questions                               | 143        |
| Problems  | 144        |
| <b>Chapter 8 Capital rationing</b>              | <b>148</b> |
| Introduction                                    | 148        |
| Hard and soft capital rationing                 | 150        |
| Single-period capital rationing                 | 152        |
| Multi-period capital rationing                  | 158        |
| Summary   | 168        |
| Appendix: linear programming                    | 169        |
| Notes   | 171        |
| Further reading                                 | 171        |
| Quickie questions                               | 172        |
| Problems  | 173        |

**PART 3**

|  |            |
|--|------------|
| <b>RISK ANALYSIS</b>                     | <b>177</b> |
| <b>Chapter 9 Simple risk techniques</b>  | <b>179</b> |
| Risk and return                          | 179        |
| Expected net present value               | 180        |
| The abandonment decision                 | 186        |
| Sensitivity analysis                     | 191        |
| The risk-adjusted discount rate          | 194        |
| Summary                                  | 196        |
| Notes                                    | 197        |
| Further reading                          | 197        |
| Quickie questions                        | 198        |
| Problems                                 | 199        |
| <b>Chapter 10 Risk and return</b>        | <b>204</b> |
| Introduction to uncertainty              | 204        |
| The expected utility model               | 206        |
| Risk, return and the investment decision | 213        |
| Summary                                  | 222        |
| Notes                                    | 223        |
| Further reading                          | 223        |
| Quickie questions                        | 224        |
| Problem                                  | 224        |

|                   |   |     |
|-------------------|---|-----|
| <b>Chapter 11</b> | <b><i>Portfolio theory</i></b>                | 226 |
|                   | Two-asset portfolios                          | 226 |
|                   | Multi-asset portfolios                        | 234 |
|                   | Introduction of a risk-free investment        | 237 |
|                   | The capital market line                       | 243 |
|                   | Diversification within companies              | 248 |
|                   | Summary                                       | 249 |
|                   | Notes   | 251 |
|                   | Further reading                               | 251 |
|                   | Quickie questions                             | 252 |
|                   | Problems                                      | 252 |
| <b>Chapter 12</b> | <b><i>The capital asset pricing model</i></b> | 255 |
|                   | The security market line                      | 255 |
|                   | The CAPM expression                           | 259 |
|                   | The beta value                                | 262 |
|                   | The validity of the CAPM                      | 271 |
|                   | Arbitrage pricing theory                      | 276 |
|                   | Betas and project investment appraisal        | 278 |
|                   | Summary                                       | 281 |
|                   | Appendix: The security market line            | 282 |
|                   | Notes   | 285 |
|                   | Further reading                               | 285 |
|                   | Quickie questions                             | 286 |
|                   | Problems                                      | 287 |
| <b>Chapter 13</b> | <b><i>Option valuation</i></b>                | 291 |
|                   | Introduction                                  | 291 |
|                   | The basic characteristics of options          | 291 |
|                   | Option terminology                            | 293 |
|                   | The valuation of options                      | 293 |
|                   | The Black and Scholes model                   | 298 |
|                   | The building blocks of investment             | 302 |
|                   | Put–call parity theorem                       | 307 |
|                   | Using share options                           | 310 |
|                   | The option ‘Greeks’                           | 314 |
|                   | The binomial model                            | 318 |
|                   | Summary                                       | 320 |
|                   | Appendix: the area under the normal curve     | 321 |
|                   | Notes   | 323 |
|                   | Further reading                               | 323 |
|                   | Quickie questions                             | 323 |
|                   | Problems                                      | 323 |

|                   |                           |     |
|-------------------|---------------------------|-----|
| <b>Chapter 14</b> | <i>Interest rate risk</i> | 325 |
|                   | Introduction              | 325 |
|                   | The money markets         | 325 |
|                   | Forward forward loans     | 327 |
|                   | Forward rate agreements   | 328 |
|                   | Interest rate guarantees  | 331 |
|                   | Option contract markets   | 333 |
|                   | Interest rate futures     | 334 |
|                   | Caps, collars and floors  | 343 |
|                   | Interest rate swaps       | 344 |
|                   | Summary                   | 348 |
|                   | Notes                     | 348 |
|                   | Further reading           | 349 |
|                   | Quickie questions         | 349 |
|                   | Problems                  | 350 |

**PART 4****FINANCING DECISIONS** 353**Chapter 15** *Financial markets* 355

|  |                                      |     |
|--|--------------------------------------|-----|
|  | Introduction                         | 355 |
|  | Market efficiency                    | 355 |
|  | Market efficiency and share dealing  | 358 |
|  | The empirical evidence of EMH        | 360 |
|  | The term structure of interest rates | 365 |
|  | Pure expectations hypothesis         | 369 |
|  | Summary                              | 375 |
|  | Notes                                | 376 |
|  | Further reading                      | 377 |
|  | Quickie questions                    | 378 |
|  | Problems                             | 378 |

**Chapter 16** *The cost of capital* 379

|  |   |     |
|--|---|-----|
|  | The financing decision                      | 379 |
|  | The cost of equity capital                  | 380 |
|  | Expected return, dividends and market price | 383 |
|  | Applying the dividend valuation model       | 385 |
|  | CAPM and the cost of equity capital         | 393 |
|  | CAPM versus the DVM                         | 395 |
|  | The cost of debt capital                    | 397 |
|  | Cost of preference shares                   | 409 |
|  | Convertible debt                            | 410 |
|  | Summary                                     | 414 |
|  | Notes                                       | 414 |
|  | Further reading                             | 416 |
|  | Quickie questions                           | 416 |
|  | Problems                                    | 417 |

|                   |   |            |
|-------------------|---|------------|
| <b>Chapter 17</b> | <b><i>Weighted average cost of capital</i></b>          | <b>420</b> |
|                   | The project discount rate                               | 420        |
|                   | The calculation of $K_0$                                | 423        |
|                   | The WACC and project risk                               | 427        |
|                   | Summary   | 430        |
|                   | Appendix: Differing corporate and private costs of debt | 431        |
|                   | Notes   | 437        |
|                   | Further reading   | 437        |
|                   | Quickie questions                                       | 438        |
|                   | Problems  | 438        |
| <b>Chapter 18</b> | <b><i>Capital structure in a simple world</i></b>       | <b>442</b> |
|                   | Introduction  | 442        |
|                   | An optimal capital structure                            | 442        |
|                   | Business and financial risk                             | 446        |
|                   | The arbitrage proof                                     | 450        |
|                   | Summary   | 457        |
|                   | Notes   | 458        |
|                   | Further reading   | 458        |
|                   | Quickie questions                                       | 459        |
|                   | Problems  | 459        |
| <b>Chapter 19</b> | <b><i>Capital structure in a complex world</i></b>      | <b>462</b> |
|                   | Taxation and capital structure                          | 462        |
|                   | Using the M and M equations                             | 467        |
|                   | M and M in the real world                               | 472        |
|                   | Further views on capital structure                      | 477        |
|                   | Conclusion  | 482        |
|                   | Summary   | 482        |
|                   | Notes   | 483        |
|                   | Further reading   | 484        |
|                   | Quickie questions                                       | 484        |
|                   | Problems  | 485        |
| <b>Chapter 20</b> | <b><i>Capital structure in practice</i></b>             | <b>488</b> |
|                   | The pecking order theory                                | 488        |
|                   | Real-world considerations                               | 491        |
|                   | Earnings per share and gearing                          | 493        |
|                   | Degree of operating gearing                             | 496        |
|                   | Summary   | 500        |
|                   | Notes   | 501        |
|                   | Further reading   | 501        |
|                   | Quickie questions                                       | 501        |
|                   | Problems  | 502        |



|  |  |     |
|--|--|-----|
| <b>Chapter 21</b>                      | <i>Investment and financing interactions</i> | 506 |
|  | Company valuation and investment appraisal   | 506 |
|  | The dividend and interest valuation model    | 507 |
|  | Adjusted present value model                 | 507 |
|  | The M and M valuation model                  | 508 |
|  | The traditional valuation model              | 508 |
|  | Approaches to investment appraisal           | 509 |
|  | Asset betas and gearing                      | 514 |
|  | Risk-adjusted WACC                           | 521 |
|  | Lease or purchase decision                   | 524 |
|  | Summary                                      | 529 |
|  | Notes  | 529 |
|  | Further reading                              | 529 |
|  | Quickie questions                            | 530 |
|  | Problems                                     | 531 |
| <b>Chapter 22</b>                      | <i>The dividend decision</i>                 | 534 |
|  | Dividend policy in perfect capital markets   | 534 |
|  | Traditional view of the dividend decision    | 538 |
|  | Dividend policy in an imperfect market       | 542 |
|  | The empirical evidence                       | 544 |
|  | Conclusion                                   | 545 |
|  | Summary                                      | 546 |
|  | Notes  | 547 |
|  | Further reading                              | 547 |
|  | Quickie questions                            | 548 |
|  | Problems                                     | 548 |
| <b>PART 5 MERGERS AND ACQUISITIONS</b> |  | 551 |
| <b>Chapter 23</b>                      | <i>Acquisition decisions</i>                 | 553 |
|  | Introduction                                 | 553 |
|  | Synergy                                      | 554 |
|  | Valuing synergy                              | 557 |
|  | Acquisition premiums                         | 558 |
|  | Organic growth versus growth via acquisition | 560 |
|  | The coinsurance effect                       | 562 |
|  | Bootstrapping EPS                            | 564 |
|  | Diversification                              | 567 |
|  | Takeover defence                             | 568 |
|  | Financing acquisitions                       | 571 |
|  | Summary                                      | 572 |
|  | Notes  | 574 |
|  | Further reading                              | 574 |
|  | Quickie questions                            | 574 |
|  | Problems                                     | 575 |

|               |                             |                                   |     |
|---------------|-----------------------------|-----------------------------------|-----|
|               | <b>Chapter 24</b>           | <i>Company valuation</i>          | 577 |
|               |                             | Introduction                      | 577 |
|               |                             | Asset basis                       | 577 |
|               |                             | Earnings basis                    | 579 |
|               |                             | Dividend basis                    | 582 |
|               |                             | Free cash flow basis              | 582 |
|               |                             | Intellectual capital              | 584 |
|               |                             | Summary                           | 586 |
|               |                             | Further reading                   | 587 |
|               |                             | Quickie questions                 | 587 |
|               |                             | Problems                          | 588 |
| <hr/>         |                             |                                   |     |
| <b>PART 6</b> | <b>INTERNATIONAL ISSUES</b> |                                   | 593 |
|               | <b>Chapter 25</b>           | <i>Foreign exchange</i>           | 595 |
|               |                             | Introduction                      | 595 |
|               |                             | Exchange rates                    | 595 |
|               |                             | Foreign exchange markets          | 600 |
|               |                             | Exchange rate systems             | 605 |
|               |                             | Determinants of FX rates          | 608 |
|               |                             | Summary                           | 612 |
|               |                             | Notes                             | 613 |
|               |                             | Further reading                   | 613 |
|               |                             | Quickie questions                 | 613 |
|               |                             | Problems                          | 614 |
|               | <b>Chapter 26</b>           | <i>Foreign exchange hedging</i>   | 615 |
|               |                             | Definitions                       | 615 |
|               |                             | Transaction risk hedging          | 616 |
|               |                             | FX futures contracts              | 621 |
|               |                             | Forward versus futures            | 626 |
|               |                             | FX options contracts              | 627 |
|               |                             | Setting up an option hedge        | 629 |
|               |                             | Early exercise                    | 634 |
|               |                             | Contingent exposure to FX risk    | 635 |
|               |                             | Traded options versus OTC options | 635 |
|               |                             | Summary                           | 636 |
|               |                             | Notes                             | 637 |
|               |                             | Further reading                   | 637 |
|               |                             | Quickie questions                 | 637 |
|               |                             | Problems                          | 639 |
|               | <b>Chapter 27</b>           | <i>Foreign direct investment</i>  | 642 |
|               |                             | Introduction                      | 642 |
|               |                             | Project cash flows                | 644 |
|               |                             | Project discount rate             | 648 |

|   |     |
|---|-----|
| Translation risk                        | 653 |
| Economic risk                           | 656 |
| Country/political risk                  | 659 |
| Management charges and transfer pricing | 660 |
| Summary                                 | 661 |
| Notes                                   | 662 |
| Further reading                         | 662 |
| Quickie questions                       | 663 |
| Problems                                | 663 |
| <i>Tables</i>                           | 667 |
| <i>Answers to quickie questions</i>     | 673 |
| <i>Answers to problems</i>              | 699 |
| <i>Index</i>                            | 783 |

*There is a popular feeling that 'theory' is opposed to 'practice' and the merits lie with 'practice'. This is a false conclusion, based on a false supposition. If practice has long been successful and does not conform to theory, the theory is bad and in need of revision... The distinction should not be between theory and practice; it should be between good theory and bad theory, between good practice and bad practice... Practice is brick; theory is mortar. Both are essential and both must be good if we are to erect a worthy structure.*

D. HANAUER, GREAT MYTHS OF ECONOMICS

*The description in plain language will be a criterion of the degree of understanding that has been reached.*

W. HEISENBERG, PHYSICS AND PHILOSOPHY

This book takes these two quotations as its starting point. Its subject matter covers some of the major financial decisions that face companies: investment, financing, the dividend decision, acquisitions and the management of risk. These are areas of vital importance to companies because they represent the main ways by which firms can enhance the worth of the owners. This importance is reflected in the fact that corporate finance is a standard element of most degree courses that are concerned with industrial or commercial decision-making, as well as being a prominent element in professional accountancy examinations.

It is with all these groups of people in mind that this book has been written. However, we hope that practising financial decision-makers will also find its contents of interest, in that it may help to provoke thoughtful reflection on how financial decisions are actually made:

The book's origins lie in the courses we have taught at various universities at both undergraduate and postgraduate level and in the courses taught to students studying for professional accountancy qualifications. In reality, this is the seventh edition of *Investment Appraisal and Financial Decisions*, but we have taken the opportunity of a new edition to change the title to *Corporate Finance*, in order to reflect better its scope and contents.

In many ways this is not *our* book, but *our students'* book. Their searching questions have often prompted us to think through the subject matter in greater