

Preface

Fundamentals of Corporate Finance is my third and final adaptation of quality finance textbooks for the international readers. In a way, it completes the trilogy of texts from *Financial Markets and Corporate Strategy* through *Corporate Finance* to the present text. All three books will take a student from having virtually no knowledge of corporate finance to a doctoral level of understanding.

As a lecturer of 16 years, I fully understand the need for textbooks to be targeted to different reader groups and *Fundamentals* is no different in that regard. When asked to do the European adaptation by McGraw-Hill I was determined that the book would be significantly more relevant to the students that I teach in the UK, Europe, Africa and South East Asia. The original US version of *Fundamentals* is an excellent textbook that clearly introduces non-specialists to the concepts underlying modern corporate finance. However, it is clearly written with a North American readership in mind and although the United States is the largest economy in the world, it is not representative of the corporate environment in most other countries.

In this regard, I have endeavoured to maintain the theoretical and conceptual foundations of the original text but extend and focus the discussion to the European (and international) context. Drawing from comprehensive reviewer feedback, focus sessions, as well as earlier innovations in *Corporate Finance* and *Financial Markets and Corporate Strategy*, I have extensively revised *Fundamentals* to be at the forefront of European corporate finance thought and practice.

Important improvements include:

- **Rewritten for an Environment that Follows Fair Value Accounting and International Financial Reporting Standards** Accounting standards are very different in the US from the rest of the world and the material in nearly every chapter is rewritten to acknowledge this difference.
- **International Tax System** Taxation affects the main sections of the book (Capital Budgeting and Capital Structure) and this is reflected in the examples and end of chapter questions of every chapter.
- **Bankruptcy Laws** Bankruptcy regulations have significant differences across countries.
- **International Corporate Governance** There is now a recognition of different governance systems across countries and their effect on corporate behaviour and decision making.
- **Business Practice across Countries** Companies in the US have quite different operational methods and strategies from Europe and the rest of the world. This is now reflected in the text and supported by research references.
- **Capital Raising** Similarly, the US capital-raising environment is quite different to that of Europe and the rest of the world. Pre-emptive rights and other regulatory constraints introduce important differences in corporate financing.
- **Regulatory Differences** There is a range of regulatory differences that affect business decision-making. For example, illegality of poison pills in Europe has affected merger and acquisition activity. Moreover, there have been a number of harmonization laws within the European Union that have changed corporate finance practice. Examples are the Single Euro Payments Area for cash transactions and the Common Consolidated Tax Base (affects all cross-border business within Europe).

I also recognise that the readership and teaching styles are different across the world. As a result, the book is now broader in its approach:

- **Online Support** A major part of McGraw-Hill's strategy is to provide considerable online backup to the text. The online resources are substantial and are being continually revised and upgraded. More information on this follows.
- **End of Chapter Questions** The questions have now been completely overhauled for an international readership.

The field of Corporate Finance is always changing and the book has been updated to reflect the newest developments in the field:

- **New Theories and Fields** The text benefits from recent developments in corporate finance including corporate governance and behavioural finance.
- **Full Integration of the Global Financial Crisis of 2008** Corporate finance has fundamentally changed as a result of the seismic effects of the credit crunch and resulting shift in economic power across the world. This has changed the way that financial managers think about business and the financial markets. The text reflects these changes and deals with many current issues in the area.

Fundamentals of Corporate Finance captures current thinking in corporate finance and expresses it in a highly intuitive and accessible way. I've thoroughly enjoyed writing the chapters and sincerely hope you have the same enjoyment reading them.

David Hillier
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