ABOUT THE AUTHORS

Stephen A. Ross

SLOAN SCHOOL OF MANAGEMENT, MASSACHUSETTS INSTITUTE OF TECHNOLOGY

Stephen A. Ross is the Franco Modigliani Professor of Financial Economics at the Sloan School of Management, Massachusetts Institute of Technology. One of the most widely published authors in finance and economics, Professor Ross is recognized for his work in developing the Arbitrage Pricing Theory, as well as for having made substantial contributions to the discipline through his research in signaling, agency theory, option pricing, and the theory of the term structure of interest rates, among other topics. A past president of the American Finance Association, he currently serves as an associate editor of several academic and practitioner journals. He is a trustee of CalTech.

Randolph W. Westerfield

MARSHALL SCHOOL OF BUSINESS, UNIVERSITY OF SOUTHERN CALIFORNIA

Randolph W. Westerfield is Dean Emeritus of the University of Southern California's Marshall School of Business and is the Charles B. Thornton Professor in Finance. Professor Westerfield came to USC from the Wharton School, University of Pennsylvania, where he was the chairman of the finance department and member of the finance faculty for 20 years. He is a member of several public company boards of directors including Health Management Associates, Inc., William Lyon Homes, and the Nicholas Applegate Growth Fund. His areas of expertise include corporate financial policy, investment management, and stock market price behavior.

Jeffrey F. Jaffe

WHARTON SCHOOL OF BUSINESS, UNIVERSITY OF PENNSYLVANIA

Jeffrey F. Jaffe has been a frequent contributor to finance and economic literature in such journals as the *Quarterly Economic Journal, The Journal of Finance, The Journal of Financial and Quantitative Analysis, The Journal of Financial Economics,* and *The Financial Analysts Journal*. His best known work concerns insider trading, where he showed both that corporate insiders earn abnormal profits from their trades and that regulation has little effect on these profits. He has also made contributions concerning initial public offerings, the regulation of utilities, the behavior of market makers, the fluctuation of gold prices, the theoretical effect of inflation on the interest rate, the empirical effect of inflation on capital asset prices, the relationship between small capitalization stocks and the January effect, and the capital structure decision.

Bradford D. Jordan

GATTON COLLEGE OF BUSINESS AND ECONOMICS, UNIVERSITY OF KENTUCKY

Bradford D. Jordan is Professor of Finance and holder of the Richard W. and Janis H. Furst Endowed Chair in Finance at the University of Kentucky. He has a long-standing interest in both applied and theoretical issues in corporate finance and has extensive experience teaching all levels of corporate finance and financial management policy. Professor Jordan has published numerous articles in leading journals on issues such as initial public offerings, capital structure, and the behavior of security prices. He is a past president of the Southern Finance Association, and he is coauthor of *Fundamentals of Investments: Valuation and Management*, 5e, a leading investments text, also published by McGraw-Hill/Irwin.

FROM THE AUTHORS

IN THE BEGINNING…

It was probably inevitable that the four of us would collaborate on this project. Over the last 20 or so years, we have been working as two separate "RWJ" teams. In that time, we managed (much to our own amazement) to coauthor two widely adopted undergraduate texts and an equally successful graduate text, all in the corporate finance area. These three books have collectively totaled more than 25 editions (and counting), plus a variety of country-specific editions and international editions, and they have been translated into at least a dozen foreign languages.

Even so, we knew that there was a hole in our lineup at the graduate (MBA) level. We've continued to see a need for a concise, up-to-date, and to-the-point product, the majority of which can be realistically covered in a typical single term or course. As we began to develop this book, we realized (with wry chuckles all around) that, between the four of us, we have been teaching and researching finance principles for well over a century. From our own very extensive experience with this material, we recognized that corporate finance introductory classes often have students with extremely diverse educational and professional backgrounds. We also recognized that this course is increasingly being delivered in alternative formats ranging from traditional semester-long classes to highly compressed modules, to purely online courses, taught both synchronously and asynchronously.

OUR APPROACH

To achieve our objective of reaching out to the many different types of students and the varying course environments, we worked to distill the subject of corporate finance down to its core, while maintaining a decidedly modern approach. We have always maintained that corporate finance can be viewed as the working of a few very powerful intuitions. We also know that understanding the "why" is just as important, if not more so, than understanding the "how." Throughout the development of this book, we continued to take a hard look at what is truly relevant and useful. In doing so, we have worked to downplay purely theoretical issues and minimize the use of extensive and elaborate calculations to illustrate points that are either intuitively obvious or of limited practical use.

Perhaps more than anything, this book gave us the chance to pool all that we have learned about what really works in a corporate finance text. We have received an enormous amount of feedback over the years. Based on that feedback, the two key ingredients that we worked to blend together here are the careful attention to pedagogy and readability that we have developed in our undergraduate books and the strong emphasis on current thinking and research that we have always stressed in our graduate book.

From the start, we knew we didn't want this text to be encyclopedic. Our goal instead was to focus on what students really need to carry away from a principles course. After much debate and consultation with colleagues who regularly teach this material, we settled on a total of 20 chapters. Chapter length is typically 30 pages, so most of the book (and, thus, most of the key concepts and applications) can be realistically covered in a single term or module. Writing a book that strictly focuses on core concepts and applications necessarily involves some picking and choosing, with regard to both topics and depth of coverage. Throughout, we strike a balance by introducing and covering the essentials, while leaving more specialized topics to follow-up courses.

As in our other books, we treat net present value (NPV) as the underlying and unifying concept in corporate finance. Many texts stop well short of consistently integrating this basic principle. The simple, intuitive, and very powerful notion that NPV represents the excess of market value over cost often is lost in an overly mechanical approach that emphasizes computation at the expense of comprehension. In contrast, every subject we cover is firmly rooted in valuation, and care is taken throughout to explain how particular decisions have valuation effects.

Also, students shouldn't lose sight of the fact that financial management is about management. We emphasize the role of the financial manager as decision maker, and we stress the need for managerial input and judgment. We consciously avoid "black box" approaches to decisions, and where appropriate, the approximate, pragmatic nature of financial analysis is made explicit, possible pitfalls are described, and limitations are discussed.

NEW TO THE 3RD EDITION

With our first two editions of *Corporate Finance: Core Principles & Applications*, we had the same hopes and fears as any entrepreneurs. How would we be received in the market? Based on the very gratifying feedback we received, we learned that many of you agreed with us concerning the need for a focused, concise treatment of the major principles of corporate finance.

In developing the third edition, one of the things we focused on was extensive updating. We wanted to be as current as possible throughout the book. As a result, we revamped, rewrote, or replaced essentially all of the chapter opening vignettes, in-chapter real-world examples, and *The Real World* readings. We updated facts and figures throughout the book, and we revised and expanded the already extensive end-of-chapter material.

A list of the most important revisions to the third edition is below:

Overall:	Completely rewritten Chapter on Financial Statements and Financial Models Revised and updated data and figures More Excel examples All new chapter openers All new problems at ends of chapters Many new boxes New chapter on Raising Capital Completely rewritten International Corporate Finance chapter Updated real examples Mergers and Acquisitions moved to online
Chapter 1:	New materials on corporate governance and regulation, including Sarbanes-Oxley
Chapter 3:	Improved discussion of financial ratios e.g. EBITDA and EV More examples
Chapter 4:	New spreadsheet applications
Chapter 9:	New material on the full payout model
Chapter 10:	New material on global equity risk premiums Update to 2009 New material on the global market collapse
Chapter 12:	New material on how to estimate the WACC Updated examples
Chapter 13:	More material on bubbles Changed Chapter title to underscore behavioral challenges
Chapter 15:	Updated data on capital structure

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 combination that meets your current as well as your changing needs.

—Stephen A. Ross
—Randolph W. Westerfield
—Jeffrey F. Jaffe
—Bradford D. Jordan