FROM THE AUTHORS

When the three US authors decided to write a book, they were united by one strongly held principle: corporate finance should be developed in terms of a few integrated, powerful ideas. They felt that the subject was all too often presented as a collection of loosely related topics, unified primarily by virtue of being bound together in one book, and they thought that there must be a better way.

One thing that was certain was that they did not want to write a 'me too' book. So, with a lot of help, they took a hard look at what was truly important and useful. In doing so, they were led to eliminate topics of dubious relevance, 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.

As a result of this process, three basic schemes became the central focus in writing *Fundamentals of Corporate Finance*:

An Emphasis on Intuition We always try to separate and explain the principles at work on a common sense, intuitive level before launching into any specifics. The underlying ideas are discussed first in very general terms and then by way of examples that illustrate in more concrete terms how a financial manager might proceed in a given situation.

A Unified Valuation Approach Net present value (NPV) is treated as the basic concept underlying corporate finance. Many texts stop well short of consistently integrating this important principle. The most basic and important 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.

A Managerial Focus Students shouldn't lose sight of the fact that financial management concerns management. The role of the financial manager as decision maker is emphasized, and the need for managerial input and judgment stressed. 'Black box' approaches to finance are consciously avoided, and, where appropriate, the approximate, pragmatic nature of financial analysis is made explicit, possible pitfalls are described, and limitations are discussed.

When we decided in 1995 to produce a South African edition of *Fundamentals of Corporate Finance*, it was in response to an oft-expressed desire by teachers of finance to have a text specifically aimed at the local market. In the field of finance particularly, much of the material is country specific, and students working from overseas texts are often confused by differences in markets, terminology and practice. Indeed country-specific texts have been produced for Australia and Canada, and Chinese, Polish, Portuguese and Spanish language editions have also been produced.

The first South African edition of *Fundamentals of Corporate Finance* provided what we believe is a modern, unified treatment of South African corporate financial management that is suitable for introductory students. We are gratified that both the first and the second editions have been well received in the market place.

The importance of options in corporate finance and the many changes in the local capital markets prompted us to prepare this third South African edition. Our goal remains to stick with the basic principles that underlie the two South African editions as well as the six US editions. We hope that this book, together with the extensive collection of teaching, learning and technology aids, will meet your current as well as your changing needs.

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