



# MULTINATIONAL BUSINESS FINANCE

THIRTEENTH EDITION

EITEMAN    STONEHILL    MOFFETT

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# Preface

As the field of multinational financial management has evolved, so has the content of *Multinational Business Finance*. Both institutions and markets are changing, and as a result, this edition focuses on the multitude of financial management challenges faced by the business leaders of tomorrow, with three points of emphasis.

- **Organizations of all kinds.** Multinational enterprises (MNEs) applies to organizations of all kinds—publicly traded, privately held, state-run, and state-owned enterprises (SOEs)—all forms that permeate global business today.
- **Emerging markets.** Firms from all countries and all markets are looking to the economic drivers of the global economy today, the emerging markets. These country markets present many specific risks, opportunities, and challenges for business and multinational finance.
- **Financial leadership.** The leaders of MNEs face numerous foreign exchange and political risks. These risks can be daunting; but if properly understood, they present opportunities for creating value. These risks and opportunities are most effectively understood in the context of the global business itself, and the ability of management to integrate the strategic and financial challenges that business faces.

The success of all multinationals, however, continues to depend on their ability to recognize and benefit from imperfections in national markets for products, production factors, and financial assets. As in previous editions, we perceive the multinational enterprise to be a unique institution that acts as a catalyst and facilitator of international trade, and as an important producer and distributor in host countries where its subsidiaries are located.

## Audience

*Multinational Business Finance*, thirteenth edition, is appropriate for university-level courses in international financial management, international business finance, international finance, and similar titles. It can be used at the undergraduate or graduate level as well as in executive education courses.

A prerequisite course or experience in corporate finance or financial management is ideal. However, we review the basic finance concepts before we extend them to the multinational case. We also review the basic concepts of international economics and international business.

Over many years and many editions, as language translations and sales have expanded, we have observed a widening global audience for this book. We continue to try to service this greater global audience with multicountry companies and markets in theoretical applications, examples, Mini-Cases, and *Global Finance in Practice* features, as seen in the business and news press (including anecdotes and illustrations).

## Organization

This edition of *Multinational Business Finance* is more concise, but it includes several new subjects. We accomplished this by integrating a number of previous topics along financial management threads. The book comprises six parts, unified by the common thread of the

globalization process by which a firm moves from a domestic to a multinational business orientation.

- Part 1 introduces the global financial environment.
- Part 2 explains foreign exchange theory and markets.
- Part 3 analyzes foreign exchange rate exposure.
- Part 4 explores the financing of the global firm.
- Part 5 analyzes foreign investment decisions.
- Part 6 examines the management of multinational operations.

## New in the Thirteenth Edition

Although we hesitate to use a common tag line, the thirteenth edition could be called the *new normal*. Today, the developed or industrialized countries see slower growth, poorer job opportunities, and a growing insecurity about their competitiveness in the global marketplace, while the rapidly expanding emerging markets and their major players represent an increasingly larger piece of the global pie.

In this new world, the MNEs not only depend on the emerging markets for cheaper labor, raw materials, and outsourced manufacturing, but also they increasingly depend on those markets for sales and profits. These markets—whether they are labeled as BRICs (Brazil, Russia, India, China) or some other popular label—represent the majority of the earth’s population and therefore consumers. These markets are also home to many of the world’s most rapidly developing multinational enterprises.

We have attempted to capture this evolution through a number of principles, practices, and features:

- We have increased the clarity of principles and practices at the core of multinational finance—to accentuate the purpose behind the book’s title.
- We have integrated emerging market content, highlighting both the promise and challenges of financial management in a global marketplace where the future likely rests with these countries, cultures, and their new players.
- We have expanded our coverage of global financial crises to go beyond the credit crisis of 2007–2009 to the current sovereign debt and financial crisis raging across Europe.
- We have presented 12 new Mini-Cases. The majority are inclusive of emerging market business. The *Global Finance in Practice* features follow the same themes.

To create a shorter, succinct text for today’s more complex courses, we have merged and integrated some concepts and chapters, and we have revised other chapters.

- Chapters on currency derivatives—futures, options, and swaps—have been combined to facilitate study.
- Chapters on translation exposure and operating (economic) exposure have been revised to capture industry’s growing interest and concern about these currency-based company exposures.
- Chapters on the financial structures and capital sourcing strategies employed by multinational firms have been restructured and reorganized for a tighter presentation.

A final note on style. The subject of international finance is sophisticated, evolving, and rich in history. We have tried to bridge the past and future by using a mix of currency notations and symbols, including both the increasingly common three-letter currency codes—USD, CNY, GBP, EUR—and the currency symbols of the past—\$, ¥, £, €—which live on in modern media. Who knows, we may be re-introducing historical currency designations like the drachma and lira in future editions!

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## A Rich Array of Support Materials

A robust package of materials for the instructor and student accompanies the text to facilitate learning and to support teaching and testing. All instructor resources are available for download from the online catalog page for this book ([www.pearsonhighered.com/irc](http://www.pearsonhighered.com/irc)).

- **Instructor's Manual.** The Online Instructor's Manual, prepared by the authors, contains answers to Case questions and end-of-chapter questions. Excel® solutions for the end-of-chapter problems are available as well as PowerPoint teaching solutions for all Mini-Cases. The Instructor's Manual is available for download as Microsoft® Word files or Adobe® PDF files and the solutions to the problems are available for download as Microsoft Excel® files from the Instructor Resource Center or from your local sales representative.
- **Test Bank.** The Test Bank, prepared by Curtis J. Bacon of Southern Oregon University, contains more than 700 multiple choice and true/false questions. The multiple choice questions are labeled by topic and category—recognition, conceptual, and analytical. The test bank is available for download from the Instructor Resource Center.
- **Computerized Test Bank.** The Test Bank is also available in Pearson Education's TestGen software for Windows® and Macintosh®. TestGen's graphical interface enables the instructor to view, edit, and add questions; transfer questions to tests; and print different forms of tests. Search-and-sort features enable the instructor to locate questions quickly and arrange them as preferred. The Quizmaster application allows the instructor to administer TestGen tests over the school's computer network. More information on TestGen software is available at [http://wpslive.pearsoncmg.com/cmgi\\_instructor\\_testgen\\_1/](http://wpslive.pearsoncmg.com/cmgi_instructor_testgen_1/).
- **PowerPoint Presentation.** The PowerPoint presentation slides, prepared by Curtis J. Bacon of Southern Oregon University, provide lecture outlines and selected graphics from the text for each chapter. The PowerPoint presentation is also available for download from the Instructor Resource Center.
- **Companion Web Site.** A dedicated Web site ([www.pearsonhighered.com/eiteman](http://www.pearsonhighered.com/eiteman)) contains access to chapter exhibits, Internet exercises, and glossary flashcards. Instructors have access to spreadsheet solutions for all problems from the Instructor Resource Center.

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## International Editions

*Multinational Business Finance* is used throughout the world to teach students of international finance. More than two-thirds of the book's sales volume now occurs outside North America, which is distinct considering that it is used at more than 200 universities in North America alone. It is published in a number of foreign languages including Chinese, French, Spanish, Indonesian, Portuguese, and Ukrainian.



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