CONTENTS

PREFACE	iv
CHAPTER 1 Introduction	
1.1 The importance of the topic	1
1.2 The weighting game	4
1.3 The cost of equity capital	6
1.4 The cost of other components	10
1.5 Common failings	10
1.6 Applications	12
1.7 The way forward	13
CHAPTER 2 The time value of money	
2.1 The economic context	15
2.2 The triangular relationship	16
2.3 The impact of inflation	19
2.4 The value of growth	21
2.5 The internal rate of return	23
2.6 The yield curve	26
2.7 Wholesale and retail	27
2.8 Net present values	28
CHAPTER 3 Risk and the different stake-holders	20
3.1 Recognising risk	32
3.2 An alternative viewpoint	35
3.3 Gearing	39
3.4 Taxation	41
3.5 Tax relief on borrowings	43
3.6 Pause for thought	46
CHAPTER 4 Cash flow in a multi-business enterprise	40
4.1 The cash flow equation	48
4.2 A worked example	50
4.3 Subdivision	57
4.4 Linking the levels	61
4.5 The dividend decision	63
CHAPTER 5 International aspects	
5.1 Globalisation	67
5.2 The forward currency market	67
5.3 Currency options	70
5.4 Strategic currency risk	72
5.5 The multinational cost of capital	73
5.7 Interest rate risk	74
CHAPTER 6 In conclusion	78