

Corporate Finance, Module 19: "Financing and Valuation: Adjusted Present Value"

Readings for the Fourteenth Edition (2022) of the Brealey, Myers, Allen, and Edmans text

(The attached PDF file has better formatting.)

The sections in this posting are for the *fourteenth* edition of the Brealey, Myers, Allen, and Edmans text. You may also use the seventh through thirteenth editions; final exam problems can be answered from any edition.

{The Brealey, Myers, Allen, and Edmans textbook is excellent. We say to read certain sections and to skip others. This does not mean that certain sections are better; it means that the homework assignments and exam problems are based on the sections that you must read for this course. Some of the skipped sections are fascinating, but they are not tested.}

Read Section 18-4 Using the adjusted present value method; the concept is explained at the bottom of page 536. The final exam problems focus on the interest tax shields on the debt supported by the project. Know the Sangria perpetual crusher illustration, which is the basis of the final exam problems.

Read section 18.5, "Your Questions Answered." Some concepts are difficult to grasp, so the textbook tries to answer the most common questions. Know the formula at the top of page 543:

$$APV = \text{base case NPV} + PV(\text{tax shield})$$

Adjusted present value is hard, but it is the most accurate method of valuing a project.

Review end of chapter problems 13, 14, 15, 16, 17, 18, 20.

Illustrative test questions, problems, and homework assignments are shown separately on the discussion forum.