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## Preface

*An investment in knowledge pays the best interest.*

—Benjamin Franklin

The purpose of this book is to provide an introduction to financial decision-making, and the framework in which these decisions are made. *The Basics of Finance* is an accessible book for those who want to gain a better understanding of this field, but lack a strong business background. In this book, we cover the essential concepts, tools, methods, and strategies in finance without delving too far into theory.

In *Basics of Finance*, we discuss financial instruments and markets, portfolio management techniques, understanding and analyzing financial statements, and corporate financial strategy, planning, and policy. We explain concepts in various areas of finance without getting too complicated.

We explore, in a basic way, topics such as cash flow analysis, asset valuation, capital budgeting, and derivatives. We also provide a solid foundation in the field of finance, which you can quickly build upon.

Along the way, we provide sample problems—Try it! problems—so that you can try out any math that we demonstrate in the chapter. We also provide end-of-chapter questions—with solutions easily accessible on our web site—that test your knowledge of the basic terms and concepts that we discuss in the chapter. Solutions to end-of-chapter problems can be downloaded by visiting [www.wiley.com/go/petersonbasics](http://www.wiley.com/go/petersonbasics). Please log in to the web site using this password: Petersonbasics123.

*The Basics of Finance* offers essential guidance on financial markets and institutions, business finance, portfolio management, risk management, and much more. If you're looking to learn more about finance, this is the place to start.

We thank Glen Larsen, Professor of Finance at the Kelley School of Business, Indiana University, for coauthoring with us the section on relative valuation in Chapter 19.

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May 2010