Course Description: This is an introductory course in corporate finance, covering different aspects of the business decision process. We will study both the investment decision (capital budgeting), and the financing decision (capital structure and dividend policy), with an emphasis on the former. We will also cover options in corporate finance and mergers and acquisitions as a special topic.

The prerequisite for this class is a passing grade in Foundations of Financial Markets. As such, students should be comfortable with the following topics: time value of money, discounted cash flow valuation, and risk and return.

Texts:

- Required

- Recommended

Class Packets and Case Studies
- Lecture notes
- Selected readings
- Other cases to be assigned later

COURSE SCHEDULE

Session 1, January 17

Introduction: Overview of the Business Decision Process
Reading Assignment: RWJ, Ch. 1
Session 2, January 22
  Valuation of Future Cash-Flows
  Reading Assignment: RWJ, Ch. 5 and 6

Sessions 3 and 4, January 24 and 29
  Capital Budgeting: NPV and other investment evaluation criteria
  Reading Assignment: RWJ, Ch. 9

Sessions 6 and 7, January 31 and February 5
  What exactly are “cash-flows”? Accounting versus market values
  Reading Assignments: RWJ, Ch. 2
  CH, “Market Myths”, p. 49

Sessions 8 and 9, February 7 and 12
  Setting up a discounted cash flow analysis
  Reading Assignment: RWJ, Ch. 10

Sessions 10 and 11, February 14 and 21
  Evaluating NPV estimates – where positive NPV comes from
  Reading Assignments: RWJ, Ch. 11, section 11.1
  BM, Ch. 11

Session 12, February 26
  A project is not a black-box – scenario analysis and other considerations
  about capital budgeting
  Reading Assignments: RWJ, Ch. 11, sections 11.2 to 11.7
  BM, Ch. 10

Session 13, February 28
  The Super Project case
  Case due in class

Session 14, March 5
  Risk and Return, CAPM and the security market line
  Reading Assignments: RWJ, Ch. 12 and 13

Session 15, March 7
  Midterm exam

Session 16, March 19
  Valuation of stocks and bonds
  Reading Assignments: RWJ, Ch. 7 and 8
Session 17 and 18, March 21 and 26
   The cost of capital
   Reading Assignments: RWJ, Ch. 14

Sessions 19, March 28
   Case to be determined
   Case due in class

Sessions 20 and 21, April 2 and 4
   Raising Capital
   Reading Assignments: RWJ, Ch. 15
   BM Ch. 14

Sessions 22 and 23, April 9 and 11
   Financial Leverage and Capital Structure
   Reading Assignments: RWJ, Ch. 16
   CH, “The Modigliani-Miller Propositions After 30 Years”, p.192
   CH, “The Search for Optimal Capital Structure”, p.205

Session 24, April 16
   Dividend Policy
   Reading Assignments: RWJ, Ch. 17
   CH, “The Dividend Cut Heard Round the World: The Case of FPL”, p. 250

Sessions 25 and 26, April 18 and 23
   Options in Corporate Finance
   Reading Assignments: RWJ, Ch. 23
   BM, Ch. 14

Session 27, April 25
   Mergers and Acquisitions
   Reading Assignment: RWJ, Ch. 24

Session 27, April 30
   Case to be determined
   Case due in class

Session 28, May 2
   Review session
   Reading Assignments: none