



New York University  
Leonard N. Stern School of Business

Corporate Finance  
B40.2302  
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Welcome to my class in corporate finance. Please read the following information carefully.

This course covers most of the fundamental concepts in financial management and corporate Finance. Topics include capital budgeting, cost of capital, capital structure, dividend policy, agency and asymmetric information, mergers and acquisitions, and corporate governance. The course will largely involve lectures, case discussions and problem solving in order to elucidate the important concepts and solidify the lecture material. *Class time is very important, and a consistent work attitude throughout the semester is essential.*

Class Start: The first day of class is Thursday, 2/14. The class starts at 6pm sharp. Please bring a nametag and a calculator with you. Much of the material in the first class is, and should be, review material for most of you, but it is nevertheless helpful do briefly cover this material to bring everyone on the same level.

Prerequisites: I assume all of you attended the Foundations of Finance course and are familiar with such basic concepts as beta or the Capital Asset Pricing Model (CAPM).

Book: The book that we will be using in this class is:

Richard A. Brealey, Stewart C. Myers, Franklin Allen  
Principles of Corporate Finance, 9<sup>th</sup> Edition  
Hardcover: ISBN-13: 978-0073368696 (ISBN-10 0073368695), October 2007

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You can also use the (slightly cheaper) international paperback edition, ISBN-13: 978-0071284912 (ISBN-10: 0071284915), November 2007.

During the class, follow the financial news as they are reported for example in the Wall Street Journal or the Financial Times.

Cases: We will study 5 Harvard-Cases in this class:

- "Arundel Partner: The Sequel Project", HBS Case 9-292-140 (rev. June 12, 1992)
- "Cost of Capital at Ameritrade", HBS Case 9-201-046 (rev. April 26, 2001)
- "Debt Policy at UST Inc.", HBS Case 9-200-069, (rev. May 3, 2001)
- "Dividend Policy at Linear Technologies", HBS Case 9-204-066 (rev. Feb. 11, 2004)
- "Vodafone-AirTouch's Bid for Mannesmann", HBS Case 9-201-096 (rev. Aug. 23, 2002)

In addition, we will discuss the Mini Case “United Metal” and some other exercises.

Ameritrade and Vodafone-Mannesmann will count towards your final grade. They are group projects that all groups must hand in their solutions in class. These solutions will be graded. Moreover, all groups must prepare class presentations. I will randomly select three groups per case and have them present their solutions. We will form the groups on the second day of class.

The other three Harvard cases will not be graded. You don’t need to hand in solutions. However, all groups must prepare in-class presentations and I will again randomly select two or three groups per case to present their solutions. I will take the liberty to adjust the final grades of all presenters up- or downward if the presentation was particularly good or, conversely, if I see you didn’t put in much effort, respectively.

Blackboard: You should check blackboard at least once a week. All communication will take place via blackboard. This includes weekly homework assignments (with solutions) that allow you to test your understanding of the material and prepare the exams. It is highly recommended to do these assignments on a regular basis. I will also post case questions and Powerpoint slides on Blackboard.

Exams: The dates for the midterm and final are:

Midterm: Thursday, 3/27

Final: Thursday, 5/8

Both exams are open book. That is, you can bring your lecture notes, cases, and personal notes. No other material, though.

Grading: Midterm 30%, Final (cumulative) 50%, Written cases (Ameritrade and Mannesmann-Vodafone) 20%. If you’re on the margin I will additionally adjust your final grades by taking into account your class participation and (if applicable) your case presentations. These minor adjustments tend to go upwards much more than downwards, but there is no guarantee.

Following departmental guidelines, the course will be graded on a curve with an approximate grade distribution of: 10% A, 10-15% A-, 10% B+, 50-60% B/B-, 10-15% C+/C/C-, 0-10% D/F.

Calculator: Please bring a calculator to class. As for the exams, there are no restrictions on the type of calculator you may use.

Missing class? Obviously it is in your own interest to come to class. If it is absolutely inevitable that you miss class, say for illness or an important business trip, please send me an email beforehand.

Course Outline: Below is a rough course outline. We may go a bit faster or slower on some of the material.

BMA = chapter in Brealey, Myers, Allen, Principles of Corporate Finance, 9<sup>th</sup> edition.

Date	Topic	Readings and Assignments
Class 1 02/14	Introduction: Companies, Markets and Corporate Finance Introduction to Capital Budgeting	BMA 1.2 – 1.4, 2 BMA 3 (review)
Class 2 02/21	Capital Budgeting Risk and Return	BMA 6 and 7 BMA 4 - 5 (review) BMA 8 – 9 (review)
Class 3 02/28	Capital Budgeting: Real Options Mini-Case: United Metal	BMA 11, 12, 13 BMA 23
Class 4 03/06	Firm and Project Cost of Capital Company Valuation Market Efficiency Case: Arundel	BMA 10.1 – 10.5 BMA 14 BMA 20
Class 5 03/13	Capital Structure: Principles Optimal Financing Mix Case: Ameritrade	BMA 15 - 16
Class 6 03/27	Mid-Term Exam (90 min.) Capital Structure	
Class 7 04/03	Capital Structure: Agency Problems	BMA 18 - 19
Class 8 04/10	Raising Equity and Debt Financial Securities Case: UST	BMA 16 BMA 25.2 – 25.7
Class 9 04/17	Internal Financing and Dividend Policy	BMA 17
Class 10 04/24	Mergers&Acquisitions Case: Linear Technology	BMA 32
Class 11 05/01	Mergers&Acquisitions Corporate Governance Case: VodafoneAirtouch's Bid for Mannesmann	BMA 33 – 34
Class 12 05/08	Final Exam	