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Financial Management
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Tentative Course Syllabus

Introduction

This is an introductory Corporate Finance course that deals with investment theory and financial value. The course materials cover discounted cash flows, bond and stock valuation, capital budgeting, applications of real options in investment analysis, asset's risk and return, cost of capital, and an introductory discussion of capital structure. The tools, problem solving techniques, and ways of thinking that you develop in this course have broad applicability to all areas of business. They also form the basis for sensible personal decisions in the areas of investments, borrowing, and financial planning.

The prerequisite for this class is a passing grade in Foundations of Financial Markets.

Course Materials

- Textbook: Brealey, Myers, and Allen, *Principles of Corporate Finance*, 9th Edition, McGraw-Hill - this is a required text for this course.
- The class overheads would be posted on blackboard.
- Two case studies (available in the bookstore):
 - Harvard Business School (HBS) case study: The Super Project
 - Harvard Business School (HBS) case study: Marriott Corporation: The Cost of Capital
- The homework problem sets from the textbook will be posted at the start of the semester, along with the submission due dates.
- Solutions to the problem sets will be put up on blackboard after the assignments are turned in.
- A financial newspaper, like the Wall Street Journal or the Financial Times, as well as a business publication, like the Economist or Business Week.

It is strongly recommended that you own a computer (desktop or laptop). The Stern computer labs can be overcrowded at certain times. The homework and case projects can be done using a computer, but I will eventually ask you to do the problems using a calculator as well. Thus, you should also own a financial calculator. Make sure the calculator has net present value (NPV) and internal rate of return (IRR) functions. Why should you buy a financial calculator? During

your job interviews, you may be asked to solve problems “on the spot”, using a calculator. And you will only be allowed to use a calculator when doing the exams (no laptops in the exam).

Grading

HW Problem Sets	20%
Case write ups	20%
Midterm Exam	30%
Final Exam	30%

Following departmental guidelines, the course will be graded on a curve. I have no control over the curve. The grading standards for the finance department are posted on the following link: http://w4.stern.nyu.edu/finance/academic.cfm?doc_id=4007

Please note the grading in this course is done solely on the basis of your performance in the course, not on the basis of the effort you put in - firstly, it is not possible for me to judge the effort you put in, and secondly, your effort must translate into performance, otherwise it's of no use. This course can be daunting for some students, so putting in a lot of effort is almost necessary for satisfactory performance. However, please be clear that just putting in a lot of effort does not guarantee you any grade. If your performance, as shown by your scores in the exam and the assignments, is unsatisfactory, you will get an appropriately low grade.

You are expected to attend all classes. If you miss any class, you would be in danger of falling behind, since a lot of the classes are linked together. You will be responsible for bringing yourself up to speed on the materials covered in any lectures that you miss.

Problem Sets

There will be six problem sets consisting of various questions from the text, and some additional problems I may assign from time to time. These problems are useful in helping you understand the materials covered and consolidate the knowledge obtained in class. They also provide a good review for the exams. Solutions for these problem sets will be put up on blackboard after the assignments are turned in. The problem sets must be done **individually**, though it is OK to collaborate and discuss the questions amongst yourselves. They should either be typed or neatly hand written (please make sure your assignment sheets are stapled together). Each problem set will be evaluated out of 3 points as follows:

<i>Satisfactory</i> (Good faith attempt made to answer all questions, and some mistakes are acceptable)	3/3
<i>Unsatisfactory</i> (Good faith effort doubtful, too many mistakes)	1/3
<i>Not submitted</i>	0/3

Please hand in the HW assignments at the beginning of the class on the date they are due. The HW assignments must be submitted in class, and **not via e-mail**. **Late submissions will not be accepted at all.**

Case Studies

The two case studies must be done in groups of 4-5 students (form your own groups). I will discuss more about the case studies and the brief case reports in the first lecture.

Class Participation

I encourage you to ask questions and share your insights in class as much as possible. You and your classmates will benefit from this. Also, the onus of understanding all the materials in this course is on you. If you do not understand anything in class, you should feel totally free to stop me right there and ask me to explain it again. If you do not agree with something I say, you should challenge me immediately - I would urge you to never accept anything I say unless you are yourself convinced that it is right. This way, we can have a very rewarding exchange of thoughts throughout the course. **Remember, if you do not ask me any questions, I will assume that you have understood the materials perfectly.**

If, at any stage, you feel you have trouble keeping up with the course, please get in touch with me immediately so that we can try and do something about it before it is too late. Please note that nothing can be done about it once the course is over and your grades have been assigned.

Office Hours

We will decide on office hours in the first lecture.

Exams

The midterm and the final exams will be held during class on dates to be determined. There will be no make-up exams. The final exam is not cumulative, i.e., it will only cover the materials covered after the mid-term exam.

Tentative Course Schedule

Topics	Textbook Chapter Reference
Introduction to Corporate Finance	1
Time Value of Money concepts	2, 3
Financial Statements and Cash Flows	
Valuation of Bonds and Stocks	4
Net Present Value and Other criteria for Investment Decisions	5
Capital Budgeting Decisions	6
Sensitivity Analysis, Real Options, and Decision Trees	10
The Superproject Case	
Midterm Exam in class	
Risk and Return: Applications of Statistics	7
Risk and Return: The Capital Asset Pricing Model	8
Market efficiency and introduction to behavioral finance	13
Capital Structure Concepts	16, 17
Cost of Capital of the firm (WACC)	19
Corporate Strategy and Valuation of the firm	-
The Marriott Case	
Final Exam in Class	