

**New York University
Stern School of Business**

Corporate Finance

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Course Syllabus

I. Course Materials

A. Brealey-Myers-Allen, *Principles of Corporate Finance*, McGraw Hill (BM)

B. Packet I:

1. Syllabus
2. Articles
3. Cases

C. Items to be handed out in class

1. Lecture Notes
2. Homework Problems & Answers
3. Old Sample Problems with Answers
4. WSJ Articles which demonstrate concepts of course

II. Course Description

This course analyzes the major financial decisions facing corporate managers. The major topics include investment valuation (capital budgeting), capital structure and dividend policy, and mergers and acquisitions. There will be emphasis on both developing the tools and mindset of the financial practitioner as well as examining specific applications in the form of examples and several case discussions.

II. Course Schedule

<u>Class</u>	<u>Lecture Topic</u>	<u>Reading</u>
1	Introduction	BM 1,2
Capital Budgeting/Project Valuation/Investment Decision		
1	Capital Budgeting under Certainty	BM 3,4,6,7; White
2	Review Risk/Return	BM 8,9
2	Capital Budgeting under Uncertainty	BM 10,5
3	American Chemical CASE	
3	Valuing Projects with Options	BM 21-23; Dixit

Capital Structure/Financing Decision & Dividend Policy

4	MM & What Matters	BM 18,15; Miller
4	The effect of Taxes	BM 19
5	Cost of Financial Distress	BM 20; Myers
5	Agency 1: Debt v. Equity	BM 13
5	Agency 2: Equity v. Mgrs	Jensen: "Free CF"
6	MIDTERM	
7	MARRIOTT CASE	
7	Asymmetric Information	BM 16; Smith
8	MCI CASE	
8	Summarizing Capital Structure	Harris-Raviv
8	Dividend Policy	BM 17; Black; AS
9	AVON Case	
10	Valuation with Financing effects	

Mergers and Acquisitions

10	Mergers & Acquisitions, LBOs	BM 32-4; Jensen: "Takeover"; SV1&2
11	Merger Valuation	GH
11	GULF CASE & Summary	

FINAL EXAM

III. Grading

Total Grade = Max { 86% Exams+14%Homeworks,100% Exams }

Homework Score: out of 14 pts (see below)

Exam Score = Max { 100%Final,55% Final+45%Midterm }

Superior class participation will earn you bonus points. Distracting class participation will be "rewarded" with cold calling or a reduction in previously earned bonus points.

Hand in 7 of the following 8 homeworks for 2 points each.

3 Problem Sets and 5 Cases with Questions:

(Can be handed in as group assignment up to size 3)

American Chemical

Marriott

MCI

Avon

Gulf Oil

Homework grading follows the following format: A good job earns 2 pts (check +); a relatively weak effort earns 1 pt (check); garbage and late entries count 0.