

**New York University  
Stern School of Business**

B40.2302  
Corporate Finance

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KMC 9-87

**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; White
Capital Budgeting/Project Valuation/Investment Decision		
2	Capital Budgeting under Certainty Review Risk/Return	BM 3,4,6,7 BM 8,9
3	Capital Budgeting under Uncertainty American Chemical CASE Valuation Summary Valuing Projects with Options	BM 10,5 BM 21-23; Dixit
Capital Structure/Financing Decision & Dividend Policy		
4	MM & What Matters REVIEW SESSION	BM 18,15;
5	MIDTERM The effect of Taxes	Miller; BM 19
6	Cost of Financial Distress Agency 1: Debt v. Equity	BM 13, 20; Myers Myers
7	Agency 2: Equity v. Mgrs Asymmetric Information Summarizing Capital Structure	Jensen: "Free CF" BM 16; Smith Harris-Raviv
8	MCI CASE Dividend Policy	BM 17; Black; AS
9	FORD Case Behavioral Finance	"Rethinking Thinking"
Mergers and Acquisitions/Pull together		
10	Mergers & Acquisitions, LBOs Application of Financial Crisis	BM32-4; Jensen "Tcover"; SV's
11	GULF CASE Course Summary Review Session	GH
12	In-Class 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.

4 Problem Sets and 4 Cases with Questions:

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

American Chemical

MCI

Ford

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.