

**New York University
Stern School of Business**

B40.2302
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>
May 14	Introduction	BM 1,2
Capital Budgeting/Project Valuation/Investment Decision		
May 16	Capital Budgeting under Certainty Review Risk/Return	BM 3,5,6 BM 7-8
May 23	Capital Budgeting under Uncertainty American Chemical CASE Valuation Summary Valuing Projects with Options	BM 9,4 BM 20-22; Dixit
Capital Structure/Financing Decision & Dividend Policy		
May 28	MM & What Matters	BM 17,14;
May 30	The effect of Taxes Cost of Financial Distress REVIEW SESSION	Miller; BM 18 BM 12, 19; Myers
Jun 4	MIDTERM	
Jun 6	Agency 1: Debt v. Equity Agency 2: Equity v. Mgrs Asymmetric Information Summarizing Capital Structure	Myers Jensen:"Free CF" BM 15; Smith Harris-Raviv
Jun 11	MCI CASE Dividend Policy	BM 16; Black; AS
Jun 13	FORD Case Behavioral Finance	"Rethinking Thinking"
Mergers and Acquisitions/Pull together		
Jun 18	Mergers & Acquisitions, LBOs	BM31-3;Jensen"Tkover";SV's
Jun 20	GULF CASE Course Summary Review Session	GH
Jun 25	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.