

**New York University
Stern School of Business**

UB0007
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>
Sep 3,5	Introduction	BM 1,2
Capital Budgeting/Project Valuation/Investment Decision		
Sep 10,12	Capital Budgeting under Certainty	BM 3,5,6
Sep 17	Review Risk/Return	BM 7-8
Sep 19	Capital Budgeting under Uncertainty	BM 9,4
Sep 24	American Chemical CASE	
Sep 26	WACC	
Oct 1	Valuation Summary	
Oct 3	Valuing Projects with Options	BM 20-22; Dixit
Oct 3	Review Session	
Capital Structure/Financing Decision & Dividend Policy		
Oct 8	MM & What Matters	BM 17,14;
Oct 10	The effect of Taxes	Miller; BM 18
Oct 17	REVIEW SESSION	
Oct 22	MIDTERM	
Oct 24	Cost of Financial Distress	BM 12, 19; Myers
Oct 29	Agency 1: Debt v. Equity	Myers
Oct 31	Agency 2: Equity v. Mgrs	Jensen:"Free CF"
Nov 5	Asymmetric Information	BM 15; Smith
Nov 7	Review Session	
Nov 12	Summarizing Capital Structure	Harris-Raviv
Nov 14	MCI CASE	
Nov 19	Dividend Policy	BM 16; Black; AS
Nov 21	FORD Case	
Nov 26	Behavioral Finance	“Rethinking Thinking”
Mergers and Acquisitions/Pull together		
Dec 3	Mergers & Acquisitions, LBOs	BM31-3;Jensen"Tkover";SV's
Dec 5	GULF CASE	GH
Dec 10	Course Summary	
Dec 12	REVIEW SESSION	
Following week	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.