



Syllabus: Corporate Finance
FINC-GB.2302
Fall 2014

****Note: Syllabus is Subject To Change****

Schedule: Mondays, 6:00-9:00pm

Location: TBA

Instructor: Philipp Schnabl
Professor of Finance, NYU Stern

E-mail: schnabl@stern.nyu.edu

Office: KMC 9-76

Office hours: TBA

Course website: Blackboard (<http://sternclasses.nyu.edu>)

Course description:

This is an introductory course in corporate finance. The course has three main objectives: 1) Develop an understanding of the tools that are used to value investment projects and companies (valuation). 2) Understand the basic issues involved in how firms should raise funds for their real investments (financing). 3) Evaluate how investment and financing decisions are related. Emphasis will be placed on appreciating the limitations and challenges that are faced when applying the theoretical framework of corporate finance to real world problems.

Prerequisites:

The prerequisite for this class is a passing grade in Foundations of Financial Markets. Therefore, it is expected that students will be comfortable with the following topics: time value of money, discounted cash flow analysis, risk-return trade-off, diversification, valuation of bonds and stocks, Capital Asset Pricing Model (CAPM).

Course Material:**Lecture Notes (required):**

We will use lecture notes. The booklet with the lecture notes will be distributed in the first week. The lecture notes contain gaps in material which we will fill out together in class.

Textbook (recommended, but not required):

The lecture notes are self-contained. Thus, no textbook is required. For those of you who wish to use a textbook in addition to the class notes, I recommend that you use

Brealey, R. A., Myers, S. C., and F. Allen, 2011, *Principles of Corporate Finance*, 10th edition, McGraw-Hill. (BMA)

You can also use earlier editions of the textbook. The lecture notes are mostly based on this book. The relevant chapters are indicated in the course schedule. This textbook can be used as background reading for those of you who wish to read ahead of the lecture or dig deeper into the material. *However, in terms of the questions that will be asked in the exams, all the relevant material is contained in the lecture notes.*

As an alternative, you can also use a new online textbook:

Welch, Ivo, *Corporate Finance*, 3rd Edition, 2014. (W)

The textbook is available free of charge on the author's website at <http://book.ivo-welch.info/ed3/>.

Calculator:

Please bring a calculator. There are no restrictions regarding the type of calculator you may use. Any calculator in which you can compute powers like x^y will do the job.

Midterm and Final:

The mid-term and final are held in class. The dates are:

Midterm: TBA

Final: TBA

Both exams are open book: You can bring your lecture notes, problem sets, and personal notes, as well as a calculator. No other material though.

Grading:

Midterm: 30%

Final: 55%

Participation: 15%

There will be weekly problem sets, however these will not be graded.

Following departmental guidelines, the course will be graded on a curve with an approximate grade distribution of: 10% A's, 10-15% A-'s, 10% B+'s, 50-60% B's and B-'s, and 10-15% C+'s or below.

No incompletes will be given.

NYU Classes Online:

Please check NYU Classes online at least once a week. All communication will take place online. This includes homework assignments (with solutions). I strongly advise you that you do these assignments on a regular basis. If you wait until the exam, you will likely find it difficult to fully understand the material and will likely take away less from the class once it's over.

Course Schedule:

The class is divided in 8 topics. We need about 1-2 class sessions for each topic.

Topic	Lecture Notes	BMA Chapter (10th Edition)	BMA Chapter (9th Edition)	W Chapter (3rd Edition)
Valuation				
Net Present Value	1	2.1-2.4	2.1, 3.1-3.3	2, 3
Rules for Making Investment Decisions	2	5.1-5.4, 6.4	6.1-6.4, 7.3	4.1-4.2, 4.4
Real Options	3	10.4, 22.2-22.4	11.4, 23.2-23.4	12.6
Cash Flow Analysis	4	6.1-6.3, 10.2-10.3	7.1, 7.2, 11.2-11.3	13
Cost of Capital	5	8.2-8.3, 9.1-9.3	9.2-9.3, 10.1-10.3	9
Financing				
Capital Structure	6	17.1-17.4, 18.1-18.3	18.1-18.4, 19.1-19.3	16, 17, 18.1-18.2
Valuation & Financing				
Capital Structure and Investment Decisions	7	19.1-19.4	20.1-20.4	19
Payout Policy	8	16.1-16.5	17.1-17.5	17.3, 18.9

The course schedule is subject to change (please follow the announcements in class).