NYU STERN
NEW YORK UNIVERSITY LEONARD N. STERN SCHOOL OF BUSINESS

Syllabus: Corporate Finance
FINC-UB 7 Fall 2013

SCHEDULE: TR 9:30 – 10:45 (Section 001)

TR 11:00 – 12:15 (Section 002)

First class on 9/3; last class on 12/12

No classes: 10/15, 11/28

Final exam period: 12/16 – 12/20

LOCATION: TISCH LC25

INSTRUCTOR: Andres Liberman

Email: andres.liberman@stern.nyu.edu

Office: KMC 9-53

Office hours: T 4:30 – 6:00 and by appointment

TEACHING FELLOWS:

Section 1:   Ken Adler

E-mail: kfa207@stern.nyu.edu

Office hours: F 2:00 – 3:30 PM

Section 2:   Jose Carvalho

E-mail: jhc522@stern.nyu.edu

Office hours: M 4:30 – 6:00 PM

COURSE WEBSITE: NYU Classes

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 second class. The lecture notes have some blanks that we will fill out together during class.

Case Studies (required):

There will be three case studies for the course. They are available for purchase from the NYU bookstore.

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

Berk, Jonathan and Peter DeMarzo, *Corporate Finance,* 2010, Prentice Hall.

and/or

Brealey, R. A., Myers, S. C., and F. Allen, 2007, *Principles of Corporate Finance*, 9th edition, McGraw-Hill.

The lecture notes are mostly based on Brealey, Myers, and Allen. 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.

The textbook is available for purchase at the NYU bookstore or online. The textbook is also available on Reserve at the NYU Library.

CALCULATOR:

Please bring a calculator to class. Any calculator in which you can compute powers like x^y will be sufficient. I will not address questions related to using a calculator. If you have such questions please contact your TF.

PROBLEM SETS:

There will be seven (7) problem sets throughout the semester. The problem sets are intended to help you understand the course material and prepare you for the exams.

I will announce in class and on the course website when we have a new problem set; the problem set will be due in class one week after it is posted. A **tentative** (subject to modification) schedule has been posted online. The solutions for the problem set will be posted on the course's website after the problem set is due.

You can work alone or with other students on the problem sets. However, you need to write up your own individual solution and turn it in for credit. If you work with other students, note their names on your

problem set.

The problem sets will be graded on a pass/fail basis. No late problem sets will be accepted. Exceptions will be made for students who experience a documented serious illness or family emergency. Exceptions will also be made for religious observances or civic obligations only when the problem set cannot reasonably be completed prior to the due date and you make arrangements for late submission with me at least one week prior to the due date.

CASES:

There will be three (3) case studies in this course. The cases are intended to help you understand the course material and prepare you for the exams. I will announce in class and on the course's website when we have a new case study and when the case study solutions are due in class.

The case studies are group projects. You can work in groups of 3-5 students. You can choose your group yourself. If you have trouble finding a group, let me know and I will assign you to a group. Group work is generally self-policed, except in extreme circumstances. If you think that extreme circumstances apply to your group, bring it to my attention and I will handle the situation.

You are expected to read the case studies and discuss the case studies with your team members. I will hand out detailed instructions and questions for each case. Each group must hand in a solution in class. Also, each group must prepare an in-class presentation. Each time I will randomly select one or two groups and have them present their solution.

The cases will be graded on a pass/fail basis. No late case solutions will be accepted. Exceptions will be made for students who experience a documented serious illness or family emergency. Exceptions will also be made for religious observances or civic obligations only when the case study cannot reasonably be completed prior to the due date and you make arrangements for late submission with me at least one week prior to the due date.

MIDTERM AND FINAL:

The dates for the midterm and final are:

Midterm: Tuesday, October 22 (in class)

Final ([NYU Final Exam Schedule](#))

Section 1: Tuesday 12/17, 8:00 AM – 9:50 AM

Section 2: Tuesday 12/17, 10:00 AM – 11:50 AM

Both exams are closed book. You are allowed to bring a calculator. You can also bring one double-sided cheat sheet (8.5" x 11" max) on which only hand-written notes are allowed. No other materials are allowed. You cannot use a laptop, cell phone/communication device, or any device with an Internet connection during the exam.

GRADING:

Problem Sets: 10%

Cases: 10%

Midterm: 30%

Final: 50%

At Stern, we want to ensure fair and consistent grading across core courses. As such, grades for this course will be distributed following the Stern Grading Guidelines for Core Courses at the Undergraduate College: 25-35% A's, 50-70% B's, 5-15% C's and below.

To further ensure that all students are treated fairly and consistently, all exams will be graded according to a grading schedule, which awards points for correctly completing specific steps of a question and deducts points for common mistakes.

If you believe your exam has not been graded fairly, you have the right to make a formal appeal. In this case, you will need to submit a written explanation of the issue and a proposed resolution. The written explanation must be submitted within one week of the exam. The teaching fellow and I will look at your explanation, exam, and proposed resolution and determine whether a grade adjustment is

appropriate. In doing so, we also reserve the right to re-grade the entire exam.

ACADEMIC INTEGRITY:

Integrity is critical to the learning process and to all that we do here at NYU Stern. As members of our community, all students agree to abide by the NYU Stern Student Code of Conduct, which includes a commitment to:

· Exercise integrity in all aspects of one's academic work including, but not limited to, the preparation and completion of exams, papers and all other course requirements by not engaging in any method or means that provides an unfair advantage.

· Clearly acknowledge the work and efforts of others when submitting written work as one's own. Ideas, data, direct quotations (which should be designated with quotation marks), paraphrasing, creative expression, or any other incorporation of the work of others should be fully referenced.

· Refrain from behaving in ways that knowingly support, assist, or in any way attempt to enable another person to engage in any violation of the Code of Conduct. Our support also includes reporting any observed violations of this Code of Conduct or other School and University policies that are deemed to adversely affect the NYU Stern community.

The entire Stern Student Code of Conduct applies to all students enrolled in Stern courses and can be found here: www.stern.nyu.edu/uc/codeofconduct

To help ensure the integrity of our learning community, prose assignments you submit to NYU Classes will be submitted to Turnitin. Turnitin will compare your submission to a database of prior submissions to Turnitin, current and archived Web pages, periodicals, journals, and publications. Additionally, your document will become part of the Turnitin database.

GENERAL CONDUCT & BEHAVIOR:

Students are also expected to maintain and abide by the highest standards of professional conduct and behavior. Please familiarize yourself with Stern's Policy in Regard to In-Class Behavior & Expectations (http://www.stern.nyu.edu/portal-partners/current-students/undergraduate/resources-policies/academic-policies/index.htm) and the NYU Disruptive Behavior Policy (http://www.nyu.edu/about/policies-guidelines-compliance/policies-and- guidelines/bullying--threatening--and-other-disruptive-behavior-guidelines.html).

STUDENTS WITH DISABILITIES:

If you have a qualified disability and will require academic accommodation of any kind during this course, you must notify me at the beginning of the course and provide a letter from the Moses Center for Students with Disabilities (CSD, 998-4980, www.nyu.edu/csd) verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the CSD, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation.

CLASS COMMUNICATION:

The class website is the central location where all teaching material is posted. Class announcements will be posted there. Problem Sets are posted there as well. Solutions to the Problems set will be posted on the website; they will not be distributed in class. If you have a **quick** question, please feel free to approach me right after class. You can also send me an email if you have a quick administrative question that cannot wait until next class. However, please **do not** send emails with substantive questions about the lectures notes, problem set questions, or related material. It is difficult to respond adequately via email. If you do have a substantive question, please see either your Teaching Fellow or myself in Office Hours.

COURSE SCHEDULE:

The course is divided into 8 lecture notes. We will need about 2-4 classes for each lecture note, depending on the length of the lecture note and the number of questions raised during class. This is a **preliminary** outline for the course.

Topic	Lecture Note	Book Chapter (9th Ed.)
Valuation		
Net Present Value	1	2.1, 3.1 – 3.3, 7.3
Rules for Making Investment Decisions	2	6.1 – 6.4
Real Options	3	11.4, 23.2 – 23.4
Cash Flow Analysis	4	7.1, 7.2, 11.2 – 11.3
Cost of Capital	5	9.2 – 9.3, 10.1 – 10.3
Financing		
Capital Structure	6	18.1 – 18.4, 19.1 – 19.3
Payout Policy*	8	17.1 – 17.5
Interaction of Valuation and Financing		
Capital Structure and Investment Decisions	7	20.1 – 20.4

The course schedule is subject to change (please follow the announcements on the website). If time permits, we will also cover miscellaneous topics such as corporate governance. The website also has a tentative schedule for problem sets, cases, and exams. This schedule is also subject to change during the semester.