



Syllabus: Corporate Finance

C15.0007

Spring 2014

Schedule: TR 8:00 am - 9:15 am (Section 001)
TR 11:00 am - 12:15 pm (Section 002)
TR 2:00 pm – 3:15 pm (Section 003)

Location: KMC 4-80

Instructor: Professor Ashwini K. Agrawal
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Teaching Fellow: Ankit Gupta
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Office hours: Mon & Tue 3:00 pm – 4:30 pm & by appointment
Sections: Sections 1 & 2

Teaching Fellow: Joshua Eisman
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Office: LC-21 (Mon) & KMC 3-130 (Wed)
Office hours: Mon and Wed 5:00 pm - 6:30 pm & by appointment
Sections: 3

Course website: NYU Classes (newclasses.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 (investment).
- 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 (valuation).

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 contain gaps in material which we will fill out together during class.

Case Studies (required):

There will be three case studies for the course. They will be available for purchase from the NYU bookstore as per the class schedule (discussed 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

Berk and DeMarzo, *Corporate Finance*, Pearson; and/or
Brealey, R. A., Myers, S. C., and F. Allen, *Principles of Corp Finance*, McGraw-Hill.

The textbooks can serve as background reading for those of you who wish to read ahead of the lecture or dig deeper into the material on your own time. However,

in terms of the questions that will be asked in the exams, all the relevant material is contained in the lecture notes.

These textbooks are available for purchase at the NYU bookstore or online. The textbook is also available on Reserve at the NYU Library. You can use any edition of either of these books as supplemental material, though again, it is not necessary.

Calculator:

Please bring a calculator to class. Any calculator in which you can compute powers like x^y will be sufficient.

Problem Sets:

There will be seven 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 online when we have a new problem set; the problem set will typically be due in class one week after it is posted. The solutions for the problem set will be posted online 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 cases studies in this course. The cases are intended to help you understand the course material and prepare for the exams.

I will announce in class and on Blackboard when we have a new case study and when the case study solutions are due in class. The solutions for the case study will be discussed in class.

You can work alone or with other students on the case studies. However, you need to write up your own individual solution for each case and turn it in for credit. If you work with other students, note their names on your 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:	March 13 (in class KMC 4-80)
Final:	As per NYU's Final Exam Schedule (in class KMC 4-80)
	Section 1: May 15, 8:00 am - 9:50 am
	Section 2: May 20, 10:00 am - 11:50 am
	Section 3: May 15, 2 pm - 3:50 pm

There will be no make-up exams for the midterm or final. The final exam dates and times follow the NYU final exam schedule set by the registrar. You must take the midterm and final exam for the section in which you are registered; if you do not, your exam will be graded as a fail.

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 though. You cannot use a laptop, cell phone/communication device, or anything with an internet connection during the exam.

Grading:

Problem Sets:	7%
Cases:	3%
Midterm:	40%
Final:	50%

To 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 within seven days after your exam has been returned to you. The teaching fellows 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.

At NYU Stern, we strive to create courses that challenge students intellectually and that meet the Stern standards of academic excellence. To ensure fairness and clarity of grading, the Stern faculty have adopted a grading guideline for core courses with enrollments of more than 25 students in which approximately 35% of students will receive an “A” or “A-“ grade.

Note that while we use these ranges as a guide, the actual distribution for this course and an individual student’s grade will depend upon how well the student actually performs in this course.

Please see www.stern.nyu.edu/undergraduate/grading for “Teaching and Grading at the NYU Stern Undergraduate College” for more information.

Following departmental guidelines, no course incompletes will be given.

Academic Integrity and Ethical Guidelines:

Integrity is critical to the learning process and to all that we do here at NYU Stern. All students are expected to abide by the NYU Stern Student Code of Conduct. A student’s responsibilities include, but are not limited to:

- A duty to acknowledge the work and efforts of others when submitting work as one’s own. Ideas, data, direct quotations, paraphrasing, creative expression, or any other incorporation of the work of others must be clearly referenced.
- A duty to exercise the utmost integrity when preparing for and completing examinations, including an obligation to report any observed violations.

Please see www.stern.nyu.edu/uc/codeofconduct for more information.

If a student is found to be in violation of the Honor Code, the student will be reported to the Dean’s Office. Violations in the honor code may result in a failing grade for the class.

Students with Disabilities:

If your class performance may be affected by a disability, you should notify me immediately so that arrangements can be made in consultation with the Henry and Lucy Moses Center for Students with Disabilities <http://www.nyu.edu/csd/> to accommodate your needs. 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 in order to be guaranteed accommodations.

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
Investment	
Net Present Value	1
Rules for Making Investment Decisions	2
Real Options	3
Cash Flow Analysis	4
Financing	
Capital Structure	5
Discount Rates	6
Interaction of Investment and Financing	
Valuation using APV and WACC	7
Valuation using Multiples	8

The course schedule is subject to change (please follow the announcements in class and online). If time permits, we will also cover miscellaneous topics such as corporate governance.