NYU STERN

NEW YORK UNIVERSITY LEONARD N. STERN SCHOOL OF BUSINESS

Syllabus: Corporate Finance
GB.2302 01 Fall 2016

SCHEDULE: TR 3:00 – 4:20 PM

First class on 9/6; last class on 12/8

No classes: 10/4, 11/24

LOCATION: KMC 3–65

INSTRUCTOR: Andres Liberman

Email: andres.liberman@stern.nyu.edu

Office: KMC 9-78

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

TEACHING FELLOW:

Sanam Mechkat

E-mail: ssm588@stern.nyu.edu

Office hours: W 12:00 – 1:30 PM by appointment

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.

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, 2011, *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 below. 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 textbooks are available for purchase at the NYU bookstore or online. The textbooks are 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. 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.

FINAL PROBLEM SET:

There will be one additional problem set related to the material covered in the last class of the course. This problem set is to be **completed individually** and submitted via email to the TA and to me. The due date for this problem set is 12/15. This last problem set will count for 5% of the final grade.

MIDTERMS:

The dates for the two midterms are:

Midterm 1: Tuesday, October 18 (in class)

Midterm 2: Tuesday, December 6 (in class)

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%

Final Problem Set: 5%

Midterm 1: 35%

Midterm 2: 50%

Following departmental guidelines, the course will be graded on a curve with an approximate 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. Please refer to the grading standards available online at http://www.stern.nyu.edu/experience-stern/about/departments-centers-initiatives/academic-departments/finance/academic-programs/mba-overview/grading-standards.

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	BMA Chapter (11th Ed.)
Valuation		
Net Present Value	1	2.1 – 2.3, 6.3
Rules for Making Investment Decisions	2	5.1 – 5.4
Real Options	3	10.4, 22.2 – 22.4
Cash Flow Analysis	4	6.1, 6.2, 10.2 – 10.3
Cost of Capital	5	8.2 – 8.3, 9.1 – 9.3
Financing		
Capital Structure	6	17.1 – 17.4, 18.1 – 18.3
Interaction of Valuation and Financing		
Capital Structure and Investment Decisions	7	20.1 – 20.4
Payout Policy (*)	8	16.1 – 16.3