Syllabus: Corporate Finance

GB.2302 20-21 Spring 2018

SCHEDULE:　　　SECTION 20: MW 9:00 – 10:20 AM

SECTION 21: MW 10:30 – 11:50 PM

First class on 1/29; last class on 5/7

No classes: M 2/19, M 3/12, W 3/14

LOCATION:　　　KMC 1–70

INSTRUCTOR:　　Andres Liberman

Email:　　　　　andres.liberman@stern.nyu.edu

Office:　　　　　KMC 9-78

Office hours:　　W 5:00 – 6:30 by appointment

TEACHING FELLOWS:

James Kane

E-mail:　　　　jwk392@stern.nyu.edu

Office hours:　　Tu 4:00 – 6:30 PM

Danny Sham

E-mail:　　　　ds5111@stern.nyu.edu

Office hours:　　Tu 4:00 – 6:30 PM

COURSE WEBSITE:　　NYU Classes

COURSE MATERIAL:

Lecture Notes (required): I will provide a booklet with lecture notes. This can be picked up next to my assistant's cubicle (Sara Geldhof, KMC Building 9th floor during the first week of classes).

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.

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 the Teaching Fellow.

CLASS COMMUNICATION:

The class website is the central location where all teaching material, announcements, problem sets, solutions to problem sets, is posted. If you have a **quick** question, please feel free to approach me right after class. However, please **do not** send emails with questions about the lectures notes, problem set questions, or related material. Instead, use the course website. This way, 1) the whole class benefits from the answer, and 2), I get to answer each question only once

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 <u>with other students</u> on the problem sets. However, you need to write up your <u>own individual solution</u> and turn it in for credit. If you work with other students, <u>note their names</u> 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 two case studies in this course. You need to purchase the cases at the NYU bookstore. Case studies are group projects. You can work in groups of up to 6 students. Each group should take the perspective of an external consultant to management. You are expected to read and discuss the case studies with your team members before class.

I will hand out questions for each case. Each group must hand in a brief (3 pages max plus tables) report before the class that addresses these questions. Do not repeat the facts of the case, and do not hand in a set of Excel tables. Answer should be well reasoned and well explained—the way the report is written is part of the case grade. Keep a copy of your case for the class, I expect you to participate in it, and the case grade will be influenced by participation.

TESTS:

There will be two written evaluations. The dates are:

Midterm: Wednesday, March 7 (in class)

Final: Friday, May 11 (Final exam calendar)

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 1-7: 10%

Case 1: 10%

Case 2: 10%

Midterm: 30%

Final: 40%

As per departmental guidelines, "*For the introductory courses, Foundations of Finance and Corporate Finance, for sections with enrollments of 20 students or more, we expect that a maximum of 35% of students will receive an "A" or "A-" grade. This policy is consistent with the Stern School guidelines for grading in core courses.*"

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.

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.

COURSE SCHEDULE:

Here is a tentative outline of the course.

Class #	Day	Date	Lecture Notes	Assignment due
1	Mon	29-Jan	Intro and LN0	
2	Wed	31-Jan	LN1: PV, Perpetuities, Growing Perpetuities	
3	Mon	5-Feb	LN1: finish, LN2 IRR rule	
4	Wed	7-Feb	LN2: Mutually exclusive projects; Diff lives, capital rationing, payback	PS1
5	Mon	12-Feb	LN3: option to wait	
6	Wed	14-Feb	LN3: option to expand	PS2
7	Wed	21-Feb	LN4: cash flows	
8	Mon	26-Feb	LN4: Basic rules	PS3
9	Wed	28-Feb	LN4: examples, NWC	
10	Mon	5-Mar	Review	PS4
11	Wed	7-Mar	**MIDTERM**	
12	Mon	19-Mar	LN5: implications of CAPM, project's cost of capital.	
13	Wed	21-Mar	LN5: computing betas.	
14	Mon	26-Mar	LN5: using CAPM, firm's cost of capital	
15	Wed	28-Mar	Marriot Case	Case 1
16	Mon	2-Apr	LN6: motivation, MM I and II	PS5
17	Wed	4-Apr	LN6: Tradeoff theory	
18	Mon	9-Apr	LN6: Examples. Optimal capital structure	
19	Wed	11-Apr	LN6: Agency costs	
20	Mon	16-Apr	UST Case	Case 2
21	Wed	18-Apr	LN7: APV	
22	Mon	23-Apr	LN7: WACC, APV v/s WACC.	PS6
23	Wed	25-Apr	LN7: examples	
24	Mon	30-Apr	LN7: finish examples and class review	
25	Wed	2-May	LN8	PS7
26	Mon	7-May	Review	
	Fri	11-May	**FINAL**	