



Syllabus: Corporate Finance

FINC-UB.0007 Spring 2019

SCHEDULE: MW 3:30 – 4:45
First class on TBD; last class on TBD
No classes: TBD

LOCATION: TBD

INSTRUCTOR: Andres Liberman
Email: andres.liberman@stern.nyu.edu
Office: KMC 9-78
Office hours: TBD

TEACHING FELLOW: TBD

E-mail:

Office hours:

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.

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 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 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 1: Monday, March 7 (in class)

Midterm 2: TBA (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: 5%

Case 2: 5%

Midterm: 35%

Final: 45%

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 agreed that for elective courses the individual instructor or department is responsible for determining reasonable grading guidelines. The finance department has elected to use the following grading guidelines for this course: 25-35% A's, 50-70% B's, 5-15% C's and below.

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 Blackboard 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.

COURSE SCHEDULE:

Here is a tentative outline of the course.

| Class # | Day | Date | Lecture Notes | Assignment due |
|---------|-----|--------|--|----------------|
| 1 | Mon | 22-Jan | Intro and LN0 | |
| 2 | Wed | 24-Jan | LN1: PV, Perpetuities, Growing Perpetuities | |
| 3 | Mon | 29-Jan | LN1: Annuities | |
| 4 | Wed | 31-Jan | LN2: IRR Rule, Problems with naïve rule | |
| 5 | Mon | 5-Feb | LN2: Mutually exclusive projects; Diff lives, capital rationing, payback | PS1 |
| 6 | Wed | 7-Feb | LN3: option to wait | |
| 7 | Mon | 12-Feb | LN3: option to expand | PS2 |
| 8 | Wed | 14-Feb | LN3 recap. LN4: cash flows | |
| 9 | Wed | 21-Feb | LN4: Basic rules | |
| 10 | Mon | 26-Feb | LN4: examples | PS3 |
| 11 | Wed | 28-Feb | LN4: NWC. | |
| 12 | Mon | 5-Mar | Review | PS4 |
| 13 | Wed | 7-Mar | MIDTERM | |
| 14 | Mon | 19-Mar | LN5: implications of CAPM, project's cost of capital | |
| 15 | Wed | 21-Mar | LN5: computing betas | |
| 16 | Mon | 26-Mar | LN5: using CAPM, firm's cost of capital | |
| 17 | Wed | 28-Mar | Marriot Case | Case 1 |
| 18 | Mon | 2-Apr | LN6: motivation, MM I and II | PS5 |
| 19 | Wed | 4-Apr | LN6: Tradeoff theory | |
| 20 | Mon | 9-Apr | LN6: Examples. Optimal capital structure | |
| 21 | Wed | 11-Apr | LN6: Agency costs | |
| 22 | Mon | 16-Apr | UST Case | Case 2 |
| 23 | Wed | 18-Apr | LN7: APV | PS6 |
| 24 | Mon | 23-Apr | LN7: WACC, APV v/s WACC. | |
| 25 | Wed | 25-Apr | LN7: examples | |
| 26 | Mon | 30-Apr | LN7: examples, and LN8: payout policy 1 | |
| 27 | Wed | 2-May | LN8: payout policy 2 | PS7 |
| 28 | Mon | 7-May | Review | |