



Syllabus: Corporate Finance

C15.0007

Fall 2009

Schedule:	Tu/Thu 8:00am-9:15am (Section 1) Tu/Thu 9:30am-10:45am (Section 2)
Location:	Tisch-Hall, 40 West 4th Street, UC-25 (both Sections)
Instructor:	Professor Philipp Schnabl
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Phone:	212-998 0356
Office:	KMC 9-76
Office hours:	Mondays, 4:00-6:00pm
Website:	http://pages.stern.nyu.edu/~sternfin/pschnabl/
Course website:	Blackboard 8.0 (http://w4.stern.nyu.edu/sternlinks)

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 investments (financing).
- 3) Evaluate how investment and financing decisions are related.

Prerequisites:

The prerequisite for this class is a passing grade in Foundations of Financial Markets. Therefore, I expect you to be comfortable with the following topics: time value of money,

discounted cash flow analysis, risk-return trade-off, diversification, valuation of bonds and stocks, and the 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 first class. The lecture notes contain gaps in material which we will fill out together in class.

Case Studies (required):

There will be three case studies for the course. The case studies are available for purchase at the NYU bookstore.

Textbook (required):

The lecture notes are self-contained. In addition to the class notes, I recommend that you use the textbook

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 this book. 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.

The textbook is available for purchase at the NYU Bookstore or online. If you want to save money, you can buy a used version or an older version of the textbook. The textbook is also available on Reserve at the NYU Library.

Problem Sets:

We will have seven problem sets throughout the semester. The problem sets are intended to help you understand the lectures and prepare yourself for the type of questions asked in the exam. My advice is to complete all problem sets and check your answers with the solution guide after you hand in the problem sets.

I will announce in class when we have a new problem set. The problem sets will be posted on Blackboard and are due in class one week after they are posted. I will not accept late problem sets. The solutions will be posted on Blackboard after a problem set is due.

You are welcome to work in groups or alone on the problem sets. However, you need to write up your individual solution. If you work in a group, note the names of all group members on your problem set.

You can miss one problem set, which means that you need to hand in at least six out of the seven problem sets. If you hand in fewer problem sets, I will deduct 2% from your grade for each problem set missed. The problem sets are graded pass/fail. If a problem set is graded fail, I will deduct 1% from your grade. If you hand in more than six problem sets, I count the six best grades.

Cases:

We will cover three case studies in this class. I will announce in class when you should start working on a case study.

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 which will be graded on pass/fail. 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.

Calculator:

Please bring a calculator to class. You will need the calculator to follow the examples we do in class. There are no restrictions regarding the type of calculator you may use but you are responsible for understanding how your calculator works. Any calculator in which you can compute powers like x^y will do the job.

Midterm and Final:

There will be no make-up exams, so please mark the following dates in your calendar:

Midterm: Tuesday, 10/22/2009, 8:00am-9:15am (Section 1)
 Tuesday, 10/22/2009, 9:30am-10:45am (Section 2)

Final: Tuesday, 12/22/2009, 8:00-9:50am (Section 1)
 Thursday, 12/17/2009, 8:00-9:50am (Section 2)

The final exam dates are following the official NYU calendar set by the NYU registrar. You have to attend the exam of your section. If you do not attend the exam of your section, your exam will be graded as fail.

Both exams are closed book. You can bring a one-page cheat-sheet and your calculator. No other materials. You cannot use laptops, iPhones, or anything with a connection to the outside world.

Grading:

At NYU Stern we seek to teach challenging courses that allow students to demonstrate differential mastery of the subject matter. Assigning grades that reward excellence and reflect differences in performance is important to ensuring the integrity of our curriculum.

I use the following percentage distribution for grading:

Problem Sets: 6%
Cases: 6%
Midterm: 33%
Final: 55%

All exams are graded according to a grading schedule, which awards points for completing specific steps of a question and deducts points for mistakes. I use a grading schedule to ensure that all students are treated fairly. I therefore do not adjust grades based on appeals after exam. In almost all cases, this would involve changing the grading schedule, which would be unfair to other students. However, if I make an obvious mistake (e.g. not adding up points correctly), let me know and I will be happy to correct the mistake.

In case you feel that your exam is not graded fairly, you have the right to make a formal appeal. In this case, you need to submit a written explanation why you think I should adjust the grading. You need to submit your appeal within one week after the exam. I will then have a look at your explanation and your exam and see whether I should make an adjustment. If you file a formal appeal, I reserve the right to re-grade the entire the exam.

In Core Courses, NYU faculty has adopted a standard of rigor for teaching where:

- 25-35% of students can expect to receive A's for excellent work
- 50-70% of students can expect to receive B's for good or very good work
- 5-15% of students can expect to receive C's or less for adequate or below work

Note that while we use these ranges as a guide, the actual distribution for this course and your own grade will depend upon how well each of you 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, I will not give incompletes.

Academic Integrity:

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.

Let me emphasize that it is unfair to your fellow students to violate the Honor Code. If you do violate the Honor Code, you will be reported to the Dean’s Office. Violations in the honor code may result in a failing grade for the class.

Class Communication:

The class website is on Blackboard at <http://w4.stern.nyu.edu/sternlinks>. This is the central location where all teaching material is posted. TA office hours and 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 our Teaching Assistant or myself in Office Hours.

Class Attendance:

Class attendance is mandatory. Absences may be excused only in the case of documented serious illness, family emergency, religious observance, or civic obligation. You are expected to arrive to class on time and stay to the end of the class period. Chronically arriving late or leaving class early will have an impact on your grade.

Office Hours:

If you have any questions or need individual assistance, you can stop by during my office hours. If you cannot stop by my office during this time, email me and we can make another appointment. In the week before the mid-term exam and the week before the final exam, I will have extra office hours. Please follow the announcements in class.

Teaching Assistant:

We have a Teaching Assistant for the class. His email-address and office hours will be announced in class. The Teaching Assistant can help you to review concepts from class and answer substantive questions about the course material.

Keeping up with the Class:

This class is a required Core Course at Stern. We review a number of essential concepts that will be helpful for you in more advanced classes. If you attend class regularly, complete the problem sets, and make sure that you understand all concepts discussed in class, you should be able to pass the class. If you feel that you are doing all these things but you are still falling behind, please come and see me. We can usually find a way to improve your learning experience and help you to keep up with the class. However, if you come right before the exams, or even after exams, there is very little I can do for you.

Students with Disability:

Students whose class performance may be affected due to a disability should notify me early in the semester so that arrangements can be made, in consultation with the Henry and Lucy Moses Center for Students with Disabilities, to accommodate your needs. If you do not notify me within the first two weeks of the semester, I may not be able to accommodate your request. This rule does not apply if the disability is diagnosed during the semester.

Please see www.nyu.edu/csd for more information.

Course Schedule:

The class is divided in 8 topics. We will need about two to three classes for each topic, depending on the length of the prepared lecture notes and the number of questions you have in class. To prepare yourself for a lecture, please read the corresponding chapters in the textbook and review the lecture notes after class. This is the outline for the lectures:

Topic	Lecture Notes	Book Chapter (9th Edition)
Valuation		
Net Present Value	1	2.1, 3.1-3.3
Rules for Making Investment Decisions	2	6.1-6.4, 7.3
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
Valuation & Financing		
Capital Structure and Investment Decisions	7	20.1-20.4
Payout Policy	8	17.1-17.5

The course schedule is subject to change (please follow the announcements in class).