

**New York University
Stern School of Business**

UB0007
Corporate Finance

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Course Syllabus

I. Course Materials

- A. Brealey-Myers-Allen, *Principles of Corporate Finance*, McGraw Hill (BM)
- B. Packet I:
 - 1. Syllabus
 - 2. Articles
 - 3. Cases
- C. Items to be handed out in class
 - 1. Lecture Notes
 - 2. Homework Problems & Answers
 - 3. Old Sample Problems with Answers
 - 4. WSJ Articles which demonstrate concepts of course

II. Course Description

This course analyzes the major financial decisions facing corporate managers. The major topics include investment valuation (capital budgeting), capital structure and dividend policy, and mergers and acquisitions. There will be emphasis on both developing the tools and mindset of the financial practitioner as well as examining specific applications in the form of examples and several case discussions.

II. Course Schedule

<u>Class</u>	<u>Lecture Topic</u>	<u>Reading</u>
Jan 24,26	Introduction	BM 1,2
Capital Budgeting/Project Valuation/Investment Decision		
Jan 31, Feb 2	Capital Budgeting under Certainty	BM 3,5,6
Feb 7	Review Risk/Return	BM 7-8
Feb 9	Capital Budgeting under Uncertainty	BM 9,4
Feb 9	American Chemical CASE	
Feb 14	WACC	
Feb 16	Valuation Summary	
Feb 21	Valuing Projects with Options	BM 20-22; Dixit
Feb 23	Review Session	
Capital Structure/Financing Decision & Dividend Policy		
Feb 28	MM & What Matters	BM 17,14;
Mar 1	The effect of Taxes	Miller; BM 18
Mar 6	REVIEW SESSION	
Mar 8	MIDTERM	
Mar 20	Cost of Financial Distress	BM 12, 19; Myers
Mar 22	Agency 1: Debt v. Equity	Myers
Mar 27	Agency 2: Equity v. Mgrs	Jensen:"Free CF"
Mar 29	Asymmetric Information	BM 15; Smith
Apr 3	Summarizing Capital Structure	Harris-Raviv
Apr 5	MCI CASE	
Apr 10	Dividend Policy	BM 16; Black; AS
Apr 12	FORD Case	
Apr 17	Review Session	
Apr 19	Behavioral Finance	"Rethinking Thinking"
Mergers and Acquisitions/Pull together		
Apr 24,26	Mergers & Acquisitions, LBOs	BM31-3;Jensen"Tkover";SV's
Apr 26	GULF CASE	GH
May 1	Course Summary	
May 3	REVIEW SESSION	
Following week	In-Class Final Exam	

III. Grading

Total Grade = Max {86% Exams+14%Homeworks,100% Exams}

Homework Score: out of 14 pts (see below)

Exam Score = Max{100%Final,55% Final+45%Midterm}

Superior class participation will earn you bonus points. Distracting class participation will be "rewarded" with cold calling or a reduction in previously earned bonus points.

Hand in 7 of the following 8 homeworks for 2 points each.

4 Problem Sets and 4 Cases with Questions:

(Can be handed in as group assignment up to size 3)

American Chemical

MCI

Ford

Gulf Oil

Homework grading follows the following format: A good job earns 2 pts (check +); a relatively weak effort earns 1 pt (check); garbage and late entries count 0.