

# Corporate Finance

*Fall 2017*

ECON-UH 3520-001  
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## Course purpose

The main goal of this course is to introduce students to the concepts and techniques necessary to analyze and implement optimal investment decisions. This course aims at giving the student a broad perspective on corporate finance topics, such as the value of assets, time-value of money, capital structure, the trade-off between risk and return, and optimal portfolio choice.

## Teaching and Learning Methodologies

Please note that calculators **may be used** in take-home assignments and exams. Students should rely primarily on the book, instructor notes, and required readings. The course will be oriented to apply the concepts covered in class through frequent presentations and analytical exercises.

## Intended Learning Outcomes

Upon completion of the course students should be able to perform the following tasks:

- Use the information in Financial Statements to assess the performance of a firm,
- Prepare cash flows,
- Rank projects according to their rate of return and risk,
- Value a company according to standardized and accepted methods,
- Assess the costs and benefits of project financing.

The course will consist of weekly lectures (Tuesday and Thursday) reviewing concepts and techniques used in corporate finance. Lectures will be complemented with in-class analysis of problems and cases by students utilizing these concepts and techniques. As the best way to learn corporate finance is continuous practice, most of the learning in this course will take place through preparing these presentations and working on take-home assignments.

## Three minute memos

At the end of each class, I will ask you to write down one thing you learned during the course of that class and a connection to a real-world event within your observation of business operations. There is also an optional space for highlighting any areas of confusion or anything that affected your learning experience. These “three minute memos” are not graded, but they are collected. These memos play three critical roles. First, the research on adult learning is clear that this kind of reflection, connection, and integration can double your retention and knowledge of the material. That’s an excellent return on three minutes. Second, the memos allow me to see where your interests and experiences align with the course topics so that I can customize my teaching to your needs. Third, they provide you with a regular opportunity to communicate what you think is working, and not working, in class. I personally read every memo.

## Course grading

Grading will be based on class participation, in-class presentations, take-home assignments, a midterm, and a final examination. These components of your grade are weighted as follows:

<b>1. Class participation</b>	<b>10%</b>
a. Contribution to class discussion	5%
b. Attendance and Engagement	2.5%
c. Professionalism	2.5%
<b>2. In-class presentations</b>	<b>15%</b>
<b>3. Take-home assignments</b>	<b>15%</b>
<b>4. Midterm exam</b>	<b>30%</b>
<b>5. Final exam</b>	<b>30%</b>

## 1. *Class Participation*

Participation is an essential part of the course and is important for your own learning experience and the learning experience of your classmates. Class participation will be evaluated based on demonstrated preparation through involvement in class discussion and group exercises. You are expected to be prepared for and actively participate in class. At the time of the Mid-term, you will be provided with feedback about your participation.

### a. Contribution to class discussion

With regard to participation itself (i.e., talking in class), quality (the thoughtfulness of your comments) counts more than quantity (how frequently you talk), although simply waiting to offer a couple well-prepared comments throughout the course and staying silent otherwise will not earn you a very good participation grade. Your goal should be to contribute in a meaningful and (reasonably) consistent way to the class discussions. Quality in-class comments 1) go beyond the facts of a particular reading or case and offer unique insights, 2) provide links between the topic under discussion and other cases, the reading, or outside situations, and/or 3) extend, build upon, or constructively critique others' contributions. Those who will receive the highest participation grades not only speak up with reasonable frequency but are willing to take risks with their comments.

Your participation is essential—for both your own learning and that of other students. Because this is a case-based course, much of the learning will take place in our collective discussion of the business cases. I expect that every student will arrive well prepared and able to answer the day's assignment questions. It is essential that you participate often enough so that I can assess the quality of your thinking.

### b. Attendance and Engagement

Because class participation is essential for the course, unexcused absences will significantly impact your overall grade. If you cannot attend class due to unavoidable circumstances, you are expected to notify me of your absence by email prior to class.

It is hard to distinguish between what absences should and should not be excused. To deal with this, I use the following "leave" policy: You have one personal/sick day to use at your discretion. This means that your participation grade will be unaffected if you were to miss one in-class exercise or case discussion. Be

careful in how you use this day. If you were to use this day to sleep in, you might regret it later when you have to miss class because of a raging headache or stomach bug.

In the case of unexpected prolonged absences due to personal emergencies where it would not be reasonable for you to notify me beforehand of your absence, I may request some sort of documentation after the emergency in order for us to make arrangements for the missed time. Note. A slip from the student health center saying that you went to the student health center is not sufficient documentation.

Engagement during class discussion goes beyond participating actively. It has to do with reflecting your comments on those provided by your classmates and clearly demonstrating that you are eager to learn and effectively doing so.

c. Professionalism

I care a great deal about fostering honest in-class discussion and aim to make the class atmosphere as relaxed and psychologically “safe” as possible. This is by design. I firmly believe that students are most likely to truly learn and engage in the course material in this type of environment. And, it’s the most fun too! Even in this environment, we cannot forget our obligations to treat each other with respect and courtesy. These obligations include, but are not limited to the following:

- Refraining from using electronic devices of any kind. They distract not just you, but everyone around you. The personal use of computers, phones, tablets, etc. degrade everyone’s learning experience.
- Not being disruptive by coming late to class (even a minute late) or engaging in personal conversations with classmates during class.
- Never using racial, ethnic, religious, or any other prejudicial slur.
- Following instructions by, for instance, not emailing assignments that are supposed to be uploaded and not emailing someone with a question that is answered in this syllabus.
- Informing me and/or your group members well in advance of any issues.

I include professionalism as part of your grade simply to ensure that we remember these obligations. If you were to engage in unprofessional behavior (which I do not anticipate any of you will do), your professional grade will suffer accordingly.

## *2. In-class Presentations*

Presentations will take place during class. You will be expected to form a group of 3 – 4 students and prepare a powerpoint presentation on an assigned topic. Topics will include portfolio optimizations, the efficient frontier or company-based topics.

## *3. Take-home assignments*

Assignments will consist of problem sets in the textbook. You will be responsible for completing two assignments, which will be distributed and available on NYUClasses.

## *4. Midterm and Final Exam*

The exams will consist of several open-ended questions. These will cover topics discussed in class and will often be practical applications of the areas covered.

## **Academic Integrity**

Integrity is critical to the learning process. All students will need to 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.

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](http://www.stern.nyu.edu/uc/codeofconduct)

## Class readings and preparation

**Corporate Finance**, (3rd edition) by J. Berk and P. DeMarzo. Pearson.

The text is required and has been ordered for student purchase at the bookstore. Although the text will not be followed rigorously, the readings related to the topical coverage in the course have been specified below. The instructor will hand out supplementary notes which together with the text will form the core of knowledge to be assimilated in this course.

The following text is recommended but not required.

Principles of Corporate Finance, (11th edition) by F. Allen, S. C. Myers and R. A. Brealey. McGraw-Hill.

## Course syllabus

The course is divided into four units. The following brief course outline provides the list of broad topics to be covered and the sequence in which these will be covered.

Class	Unit/Date	Lecture Topic	Chapters
	1. The Corporation		
1	Sept 4, 2017	Types of firms, the corporation	BD1.1-1.3
2	Sept 6, 2017	Financial Statement analysis	BD2.1-2.3
3	Sept 11, 2017	Financial Statement analysis (ratios)	BD2.4-2.6
4	Sept 13, 2017	Firm Objective, Fraud	BD2.6, M. Jensen
5	Sept 18, 2017	LOP, Arbitrage, risk(intro)	BD3.1-3.4
	2. Capital Budgeting		
6	Sept 20, 2017	Risk and return - overview	BD3A.1
7	Sept 25, 2017	CASE PRESENTATION - Financial analysis	
8	Sept 27, 2017	CASE PRESENTATION - Financial analysis	
9	Oct 2, 2017	Cash flow, Perpetuities, Annuities	BD4.1-4.5
10	Oct 4, 2017	Interest rates and bonds	BD5-6
11	Oct 9, 2017	Capital Budgeting - intro	BD7, 8.1-8.2

12	Oct 11, 2017	Midterm Review	
13	Oct 16, 2017	CASE PRESENTATION - Capital budgeting	
14	Oct 18, 2017	<b>MIDTERM</b>	
		3. Capital Structure	
15	Oct 30, 2017	Valuing stocks	BD9.1-9.3, 10.1-10.5
16	Nov 1, 2017	Cost of Capital	BD12
17	Nov 6, 2017	Investor behavior	BD13
18	Nov 8, 2017	CASE PRESENTATION - Diversification	
19	Nov 13, 2017	Modigliani and Miller I	BD14.1-14.2
20	Nov 15, 2017	Debt and Taxes	BD15
21	Nov 20, 2017	Financial distress, Agency: Creditors-Equity Holders	BD16.1-16.2 BD16.5-16.9
22	Nov 22, 2017	Payout policy	BD17
23	Nov 27, 2017	Behavioral corporate finance	Hello Wallet Case
		4. Mergers and Acquisitions	
24	Nov 29, 2017	Raising Equity Capital	BD23
25	Dec 4, 2017	Mergers and Acquisitions	BD28
26	Dec 6, 2017	Corporate Governance	BD29.1-29.2,29.6
27	Dec 11, 2017	GUEST SPEAKER: National currencies	S. Kawalec
28	Dec 13, 2017	Final Exam	

A somewhat more detailed list of sub-topics to be covered under each topic, along with the relevant chapter readings for each unit will be announced in class when we get to that point.