



## **Syllabus: Financial Management**

### **C15.0007**

### **Spring 2009**

<b>Schedule:</b>	MW 8:00 - 9:15 am (Section 001) MW 2:00 - 3:15 pm (Section 002)
<b>Location:</b>	Section 001: KMC 5-80 Section 002: KMC 1-70
<b>Instructor:</b>	Professor Ashwini K. Agrawal
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Office:	KMC 9-75
Office hours:	W 9:30 - 11 am and by appointment
<b>Teaching Fellow:</b>	Andrew Symons
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Office:	LC 27
Office hours:	TR 4:30 – 6 pm and by appointment
<b>Course website:</b>	Blackboard ( <a href="http://sternclasses.nyu.edu">http://sternclasses.nyu.edu</a> )

#### **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.

### **Prerequisites:**

The prerequisite for this class is a passing grade in Foundations of Financial Markets. Therefore, it is expected that students will be comfortable with the following topics: time value of money, discounted cash flow analysis, risk-return trade-off, diversification, valuation of bonds and stocks, 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 second class. The lecture notes contain gaps in material which we will fill out together during class.

#### Case Studies (required):

There will be three case studies for the course. They are available for purchase from the NYU bookstore.

#### 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

Brealey, R. A., Myers, S. C., and F. Allen, 2007, *Principles of Corporate Finance*, 9<sup>th</sup> 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. However, in terms of the questions that will be asked in the exams, all the relevant material is contained in the lecture notes.

The textbook is available for purchase at the NYU bookstore or online. The textbook is also available on Reserve at the NYU Library.

### **Calculator:**

Please bring a calculator to class. Any calculator in which you can compute powers like  $x^y$  will be sufficient.

### **Problem Sets:**

There will be seven 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 Blackboard 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 Blackboard 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 three cases studies in this course. The cases are intended to help you understand the course material and prepare you for the exams.

I will announce in class and on Blackboard when we have a new case study and when the case study solutions are due in class. The solutions for the case study will be discussed in class.

You can work alone or with other students on the case studies. However, you need to write up your own individual solution for each case and turn it in for credit. If you work with other students, note their names on your solution.

The cases will be graded on a pass/fail basis. No late case solutions 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 case study 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.

### **Midterm and Final:**

The dates for the midterm and final are:

Midterm: March 9 (in class)

Final: May 11 (NYU Final Exam Schedule)

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 though. You cannot use a laptop, cell phone/communication device, or anything with an internet connection during the exam.

### **Grading:**

Problem Sets: 7%

Cases: 3%

Midterm: 40%

Final: 50%

At Stern, we want to ensure fair and consistent grading across core courses. As such, grades for this course will be distributed following the Stern Grading Guidelines for Core Courses at the Undergraduate College: 25-35% A's, 50-70% B's, 5-15% C's and below. No course incompletes will be given.

To further ensure that all students are treated fairly and consistently, all exams will be graded according to a grading schedule, which awards points for correctly completing specific steps of a question and deducts points for common mistakes.

If you believe your exam has not been graded fairly, you have the right to make a formal appeal. In this case, you will need to submit a written explanation of the issue and a proposed resolution. The teaching fellow and I will look at your explanation, exam, and proposed resolution and determine whether a grade adjustment is appropriate. In doing so, we also reserve the right to re-grade the entire exam.

## **Ethical Guidelines:**

### Student Code of Conduct

All students are expected to follow the “Stern Code of Conduct”, available online at: <http://www.stern.nyu.edu/uc/codeofconduct>

As per the Stern Code of Conduct, A student’s responsibilities include, but are not limited to, the following:

- 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.

Violation of the Stern Code of Conduct may result in the receipt of a Failing grade in the course, as well as a hearing and sanctioning by the Stern Undergraduate Honor Council.

## **Students with Disabilities:**

If your class performance may be affected by a disability, you should notify me immediately so that arrangements can be made in consultation with the Henry and Lucy Moses Center for Students with Disabilities <http://www.nyu.edu/csd/> to accommodate your needs. 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 in order to be guaranteed accommodations.

## **Course Schedule:**

The course is divided into 8 lecture notes. We will need about 2-4 classes for each lecture note, depending on the length of the lecture note and the number of questions raised during class. This is a preliminary outline for the course.

Topic	Lecture Note	Book Chapter (9 <sup>th</sup> Ed.)
<b>Valuation</b>		
New Present Value	1	2.1, 3.1-3.3, 7.3
Rules for Making Investment Decisions	2	6.1-6.4
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
<b>Financing</b>		
Capital Structure	6	18.1-18.4, 19.1-19.3
Payout Policy	8	17.1-17.5
<b>Interaction of Valuation and Financing</b>		
Capital Structure and Investment Decisions	7	20.1-20.4

The course schedule is subject to change (please follow the announcements in class and on Blackboard). If time permits, we will also cover miscellaneous topics such as corporate governance.