



Professor Heitor Almeida
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Financial Management
Fall 2001

C15.0007-001
MW 3:30:4:45 p

Website: <http://class.stern.nyu.edu/courses/C15-0007-001-F2001>

Course Description: This is an introductory course in corporate finance, covering different aspects of the business decision process. The course's objective is to provide an understanding of both the theory of corporate finance and how it applies to the real world.

The prerequisite for this class is a passing grade in Foundations of Financial Markets. As such, students should be comfortable with the following topics: time value of money, discounted cash flow valuation, and the CAPM.

Texts:

➤ **Required**

- ✓ S. Ross, R. Westerfield and B. Jordan (RWJ), 1999, *Fundamentals of Corporate Finance*, 5th edition (alternate), Irwin McGraw-Hill

➤ **Recommended**

- ✓ R. Brealey and S. Myers (BM), 1999, *Principles of Corporate Finance*, 6th edition, Irwin McGraw-Hill

Brealey and Myers (BM) is an alternative textbook. I will assign a few chapters from BM for selected sessions.

Class Packet: Available at the NYU bookstore located at 18 Washington Place

- Lecture Handouts and Assignments Packet, Fall 2001

Case Studies

- Harvard Business School (HBS) Case Study: The Super Project
- Harvard Business School (HBS) Case Study: Marriot Corporation: The Cost of Capital

These cases are required reading. I will distribute cases, as well as case questions in class.

COURSE REQUIREMENTS

The course requirements consist of several homework assignments, case projects, an in-class midterm and a final examination. I will not accept late homework and cases.

The homework assignments are at the end of the course packet. The course schedule indicates the date when the assignments are due. They should be handed in at the beginning of the class. The homework will be graded pass/fail.

Collaboration and discussion among students are encouraged, but *the final versions must be individual work*. If you have problems to find students to work with, please send me an email. I can help you find others in a similar situation who can work with you.

Case projects are always due in the beginning of class. Again, collaboration and discussion among students are encouraged, but the final versions must be individual work. I indicated in the course schedule the specific dates in which each case is due.

Students are not allowed to email neither their homework nor their case projects to me.

Students are expected to be prepared for each class, and to contribute in a constructive manner to classroom discussion.

The midterm will be held during class on Oct 15. The final exam will be held on Wednesday, December 19th, from 2pm to 3:50pm. There will be no make-up exams, so mark this date in your calendars.

TOOLS

It is strongly recommended that you own a computer (desktop or laptop). The Stern computer labs can be overcrowded at certain times. The homework and case projects can be done using a computer, but I will eventually ask you to do the problems using a calculator as well. Thus, you should also own a financial calculator. Make sure the calculator has net present value (NPV) and internal rate of return (IRR) functions. Why should you buy a calculator? During your job interviews, you may be asked to solve problems “on the spot”, using a calculator. And you will be allowed to use a calculator when doing the exams.

GRADING POLICY

The final grade will be constructed as follows:

Class participation	5%
Homework	10%
Case write-ups	20%
Midterm	25%
Final	40%

No incompletes will be given.

Following departmental guidelines, the course will be graded on a curve. I have no control over the curve. The grading standards for the finance department are posted on the following link:

<http://www.stern.nyu.edu/fin/pdfs/gradestandards98.pdf>.

COURSE SCHEDULE

University Holidays: Thanksgiving recess from Nov 22nd to Nov 25th.

The schedule of activities is subject to change depending on the needs of the class.

<i>Date</i>	<i>Topics</i>	<i>Assigned Readings/Assignment</i>
September 5	Introduction: Overview of Corporate Finance	RWJ: Ch. 1 Lecture Notes Session 1 <i>Assignment 1</i> , due September 12
September 10	Review: Valuation of Future Cash-Flows	RWJ , Ch. 5 and Ch. 6, sections 6.1 and 6.2 Lecture Notes Session 2 <i>Assignment 2</i> , due September 19
September 12, 17 and 19	Capital Budgeting: NPV and other investment evaluation criteria	RWJ, Ch. 9 Lecture Notes Session 3 (NPV) Lecture Notes Session 4 (The other Criteria) <i>Assignment 3</i> , due September 26
September 24 and 26	Financial Statements and Cash Flows	RWJ, Ch. 2 Lecture Notes Session 5 <i>Assignment 4</i> , due October 3
October 1 and 3	Setting up a discounted cash flow analysis	RWJ, Ch. 10 Lecture Notes Session 6 <i>Assignment 5</i> , due October 10
October 8 and 10	Evaluating NPV estimates – where positive NPV comes from	RWJ Ch. 11, section 11.1 BM, Ch. 11 Lecture Notes Session 7
October 10 (part time)	Review for the Mid term	
October 15	Mid term in class	
October 17	Sensitivity and Scenario analysis	RWJ, Ch. 11, sections 11.2 to 11.7

		BM, Ch. 10 Lecture Notes Session 7, continued <i>Assignment 6</i> , not due
October 22	Calculating Discount Rates: An Introduction	Lecture Notes Session 8
October 24	Bond Valuation and the Cost of Debt – Part I	RWJ, Ch. 7 Lecture Notes Session 9
October 29	The Superproject Case	Case due in class
October 31	Bond Valuation and the Cost of Debt – Part II	RWJ, Ch. 7 Lecture Notes Session 9 <i>Assignment 7</i> , due on November 7
November 5 and 7	Stock Valuation and the Cost of Equity	RWJ, Ch. 8, 13 Lecture Notes Session 10 <i>Assignment 8</i> , due on November 14
November 12 and 14	The Cost of Capital for a Firm WACC with and without Taxes	RWJ, Ch 14 Lecture Notes Session 11
November 19	The Cost of Capital for a Division and for a Project	RWJ, Ch 14 Lecture Notes Session 12 <i>Assignment 9</i> , not due
November 21 (part time)	The Marriot Case	Case due in class
November 21 (part time) and 26	Firm Valuation	Lecture Notes Session 13 (to be distributed in class) Readings to be determined
November 28 and December 3	Introduction to Raising Capital	RWJ, Ch. 15 BM Ch. 14 Lecture Notes Session 14 <i>Assignment 10</i> , due December 10
December 5 and 10	Financial Leverage and Capital Structure	RWJ, Ch. 16 Lecture Notes Session 15 <i>Assignment 11</i> , not due
December 12	Review for the final exam	