Goals of the Course

This is the third course in the Finance sequence. Its objective is to provide a deeper understanding of the theory of corporate finance as well as further insights into how that theory applies in the “real world”. With the latter goal in mind, we will make every effort to integrate current business news into the discussions of the theoretical material. The principal topics to be covered are: corporate governance, options, sources of corporate funding, capital structure, dividend policy, and restructuring/mergers and acquisitions.

The prerequisites for this course are Foundations of Financial Markets and Financial Management. You should have a good command of the subject matter of both of these courses, including discounted cash flow valuation, capital budgeting, cost of capital, the CAPM, basic option pricing, and basic capital structure theory. We will spend two sessions at the start of this course briefly reviewing these topics.

Texts


Case Packet (“CP”), packaged together with RWJ and a solutions manual for RWJ

Grading

Grades will be based on two “midterm” exams (20% each), a final exam (40%), three written case preparations, done in groups, (5% each), and class participation (5%). There will also be one ungraded group assignment, consisting of questions to help you review your prior finance courses. A good-faith effort to complete that assignment will count toward class participation credit. Since class participation does enter into your grade, it is critical that you display your name plate in class.

The exams will be closed-book, but you will be allowed to bring in a one-page (one-side) support system with any information that you feel would be helpful. It goes without saying that you are expected strictly to abide by the NYU Stern Honor Code.
You should form yourselves into groups of 3 or 4—no more, no less—by the start of the second week of classes, and one member of each group should send me an e-mail with the names of the group members. There is a “Forum” under the Discussion Board tab in Blackboard that you can use to help you form groups, and some time will be allotted for group formation at the end of the first class. It would be preferable if you were to keep the same groups throughout the semester, but “no-fault divorce” is allowed as long as you notify me promptly of any changes.

Schedule of Classes

January 18—Introduction and Overview

January 20—Review of “Foundations”: the Investor Perspective
   Bodie, Kane, and Marcus, Chs. 5-10, 12 as needed

January 25—Review of “Financial Management”: the Issuer Perspective
   Ross, Westerfield, and Jordan, Chs. 2, 9-11, 16, as needed; RWJ, Ch. 15

January 27—Corporate Governance
   RWJ, Ch. 1 (handed out in class on January 18)

February 1—Options and Corporate Finance
   RWJ, Ch. 22

February 3—Options and Hedging against Risks
   RWJ, Ch. 25
   Assignment I due at the start of class

February 8—Real Options
   RWJ, Chs. 8 & 23

February 10—Raising Capital
   RWJ, Ch. 14

February 15—First “Midterm” Exam

February 17—Long-Term Debt
   RWJ, Ch. 20

February 22—Convertible Securities
   RWJ, Ch. 24

February 24—Financial Distress and Bankruptcy
   RWJ, Chs. 16 & 30
March 1—DoubleClick
DoubleClick case due at the start of class

March 3—Issuing Public Equity
RWJ, Ch. 19

March 8—Review for Exam

March 10—Second “Midterm” Exam

March 15 and 17—No Classes; Spring Break

March 22—IPO Valuation
RWJ, Ch. 17

March 24—The Private Equity Market
Handout on private equity market

March 29—Dividend Policy
RWJ, Ch. 18 (excluding 18.4)

March 31—Tom.com
Tom.com case due at the start of class

April 5—Dividend Policy (Continued)

April 7—Share Buy-Backs
RWJ, Ch. 18, 18.4

April 12—Introduction to Mergers and Acquisitions (“M&A”)
RWJ, Ch. 29

April 14 and 19—Tactical Aspects of M&A
Handouts in class

April 21—Spin-Offs and Other Forms of Restructuring

April 26—MediMedia International
MediMedia case due at the start of class

April 28—Review Session

Final Exam—Thursday, May 5, 6PM-9:50PM