



## **Syllabus: Financial Management**

### **C15.0007.03**

### **Spring 2009**

**Schedule:** Tu/Thu 11:00am-12:15pm

**Location:** KMC 4-60

**Instructor:** Professor Philipp Schnabl  
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**Office:** KMC 9-76  
**Office hours:** Tuesdays, 4:30-6:00pm  
**Website:** <http://w4.stern.nyu.edu/faculty/facultyindex.cgi?id=475>

**Course website:** Blackboard 8.0 (<http://w4.stern.nyu.edu/sternlinks>)

#### **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.

#### **Prerequisites:**

The prerequisite for this class is a passing grade in Foundations of Financial Markets. Therefore, I expect you to 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 first class. The lecture notes contain gaps in material which we will fill out together in class.

### **Case Studies (required):**

There will be three case studies for the course.

The first two case studies are available online. You can purchase an access code at [www.bookstores.nyu.edu](http://www.bookstores.nyu.edu) or directly at the NYU bookstore. If you do make the purchase in-store, you need to have your NYU ID card swiped through the cash register at the purchase. After the purchase is made, the bookstore sends you an email with your individual access code and instructions on how to use it. You can then print out your own copies of the case studies.

The third case study will be distributed in class.

### **Textbook (recommended, but not required):**

The lecture notes are self-contained. In addition to the class notes, I recommend that you use the textbook

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.

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

## **Problem Sets:**

We will have seven problem sets throughout the semester. The problem sets are intended to help you understand the lectures and prepare yourself for the type of questions asked in the exam. My advice is to complete all problem sets and check your answers with the solution guide after you hand in the problem sets.

I will announce in class when we have a new problem set. The problem sets will be posted on Blackboard and are due in class one week after they are posted. I will not accept late problem sets. The solutions will be posted on Blackboard after a problem set is due.

You are welcome to work in groups or alone on the problem sets. However, you need to write up your individual solution. If you work in a group, note the names of all group members on your problem set.

You can miss one problem set, which means that you need to hand in at least six out of the seven problem sets. If you hand in fewer problem sets, I will deduct 2% from your grade for each problem set missed. The problem sets are graded pass/fail. If a problem set is graded fail, I will deduct 1% from your grade. If you hand in more than six problem sets, I count the six best grades.

### **Cases**

We will cover three case studies in this class. I will announce in class when you should start working on a case study.

The cases are group projects. You can work in groups of 3-5 students. You can choose your group yourself. If you have trouble finding a group, let me know and I will assign you to a group. Group work is generally self-policed, except in extreme circumstances. If you think that extreme circumstances apply to your group, bring it to my attention and I will handle the situation.

You are expected to read the case and discuss the case with your team members. I will hand out detailed instructions and questions for each case. Each group must hand in a solution in class which will be graded on pass/fail. Also, each group must prepare an in-class presentation. Each time I will randomly select one or two groups and have them present their solution.

### **Midterm and Final:**

There will be no make-up exams, so please mark the following dates in your calendar:

Midterm:      March 5th (in class)

Final:          May 7th (NYU Final Exam Schedule)

Both exams are open book: You can bring your lecture notes, cases, problem sets, and personal notes, as well as a calculator. No other materials though. You cannot use laptops, iPhones, or anything with a connection to the outside world.

## **Grading:**

Problem Sets:	6%
Cases:	6%
Midterm:	33%
Final:	55%

All exams are graded according to a grading schedule, which awards points for completing specific steps of a question and deducts points for mistakes. I use a grading schedule to ensure that all students are treated fairly. I therefore do not adjust grades based on appeals after exam. In almost all cases, this would involve changing the grading schedule, which would be unfair to other students. However, if I make an obvious mistake (e.g. not adding up points correctly), let me know and I will be happy to correct the mistake.

In case you feel that your exam is not graded fairly, you have the right to make a formal appeal. In this case, you need to submit a written explanation why you think I should adjust the grading. You need to submit your appeal within one week after the exam. I will then have a look at your explanation and your exam and see whether I should make an adjustment. In this case, I reserve the right to re-grade the entire the exam.

Following the Stern Grading Guidelines for Core Courses at the Undergraduate College, the course grade will follow this distribution:

25-35% A's – awarded for excellent work  
50-70% B's – awarded for good or very good work  
5-15% C's (or below) – awarded for adequate or below work

Following departmental guidelines, I will not give incompletes.

## **Stern Honor Code**

This course will be conducted according to the rules specified in the “Stern Honor Code”, which mandates zero tolerance for academic dishonesty. You are expected to be familiar with the School’s Honor Code and to follow the procedures outlined therein. For your reference, the “Stern Honor Code” is available online:

<http://www.stern.nyu.edu/uc/codeofconduct>

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.

Let me emphasize that it is unfair to your fellow students to violate the Honor Code. If you do violate the Honor Code, you will be reported to the Dean's Office.

### **Class Communication**

The class website is on Blackboard at <http://w4.stern.nyu.edu/sternlinks>. This is the central location where all teaching material is posted. TA office hours and class announcements will be posted there. Problem Sets are posted there as well. Solutions to the Problems set will be posted on the website; they will not be distributed in class.

If you have a quick question, please feel free to approach me right after class. You can also send me an email if you have a quick question that cannot wait until next class.

However, please do not send emails with long substantive questions about the lectures notes, problem set questions, or related material. It is difficult to respond adequately via email. If you do have a substantive question, please see either our Teaching Assistant or myself.

### **Class Attendance**

Class attendance is mandatory. Absences may be excused only in the case of documented serious illness, family emergency, religious observance, or civic obligation. If you will miss class for religious observance or civic obligation, please send me an email beforehand.

You are expected to arrive to class on time and stay to the end of the class period. Chronically arriving late or leaving class early will have an impact on your grade. You may enter class late only if you can do so without disrupting the class. *Note: Professors are not obligated to admit late students or may choose to admit them only at specific times and professors are not obligated to readmit students who leave class.*

### **Office Hours**

If you have any questions or need individual assistance, you can stop by during my office hours on Tuesdays from 4:30 to 6:00pm. If you cannot stop by my office during this time, email me and we can make another appointment. In the weeks before the mid-term exam and the final exam, I will have extra office hours. Please follow the announcements in class.

### **Teaching Assistant**

Our Teaching Assistant for this class is Chris Cho (chris.cho@stern.nyu.edu). His office hours are on Thursdays from 4:30 to 6:30pm. The location will be announced in class and on Blackboard. Chris can help you to review concepts from class and answer substantive questions about the course material.

### **Keeping up with the Class**

This class is a required Core Course at Stern. We review a number of essential concepts that will be helpful for you in more advanced classes. If you attend class regularly, complete the problem sets, and make sure that you understand all concepts discussed in class, you should be able to pass the class. If you feel that you are doing all these things but you are still falling behind, please come and see me. We can usually find a way to improve your learning experience and help you to keep up with the class. However, if you come right before the exams, or even after exams, there is very little I can do for you.

### **Calculator:**

Please bring a calculator to class. You will need the calculator to follow the examples we do in class. There are no restrictions regarding the type of calculator you may use. Any calculator in which you can compute powers like  $x^y$  will do the job.

### **Disability**

Students whose class performance may be affected due to a disability should notify me immediately. I will make arrangements in consultation with the Henry and Lucy Moses Center for Students with Disabilities <http://www.nyu.edu/csd/> to accommodate your needs.

### **Course Schedule:**

The class is divided in 8 lectures. We will need about 2 - 4 classes for each lecture, depending on the length of the lecture and the number of questions you have. To prepare yourself for a lecture, please read the corresponding chapters in the textbook and review the lecture notes after we discussed them in class. This is the outline for the lectures:

<b>Topic</b>	<b>Lecture Notes</b>	<b>Book Chapter (9<sup>th</sup> Edition)</b>
<b>Valuation</b>		
Net Present Value	1	2.1, 3.1-3.3
Rules for Making Investment Decisions	2	6.1-6.4, 7.3
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>Valuation &amp; 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).