



Corporate Finance Syllabus and Outline

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General Information

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What is corporate finance?

- Every decision that a business makes has financial implications, and any decision which affects the finances of a business is a corporate finance decision.
- Defined broadly, everything that a business does fits under the rubric of corporate finance.

Course Objectives

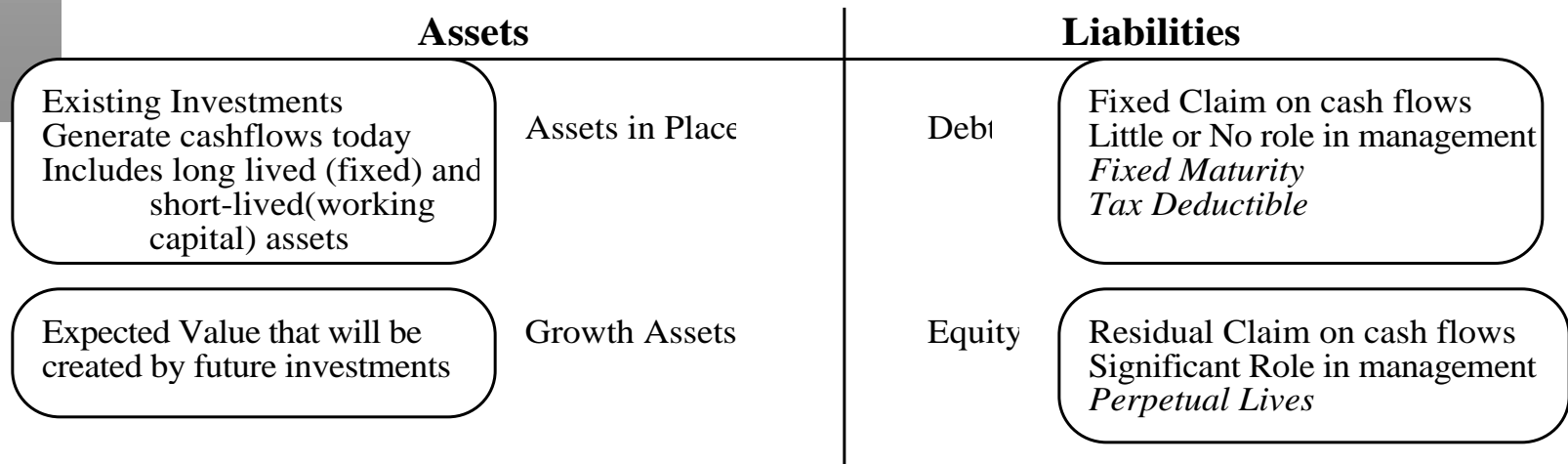
- To give you the capacity to understand the theory and apply, in real world situations, the techniques that have been developed in corporate finance.
If it cannot be applied, who cares?.
- To give you the big picture of corporate finance so that you can understand how things fit together.
You can forget the details, but don't miss the story.
- To show you that corporate finance is fun.
It takes more work, but it is more fun

The Traditional Accounting Balance Sheet

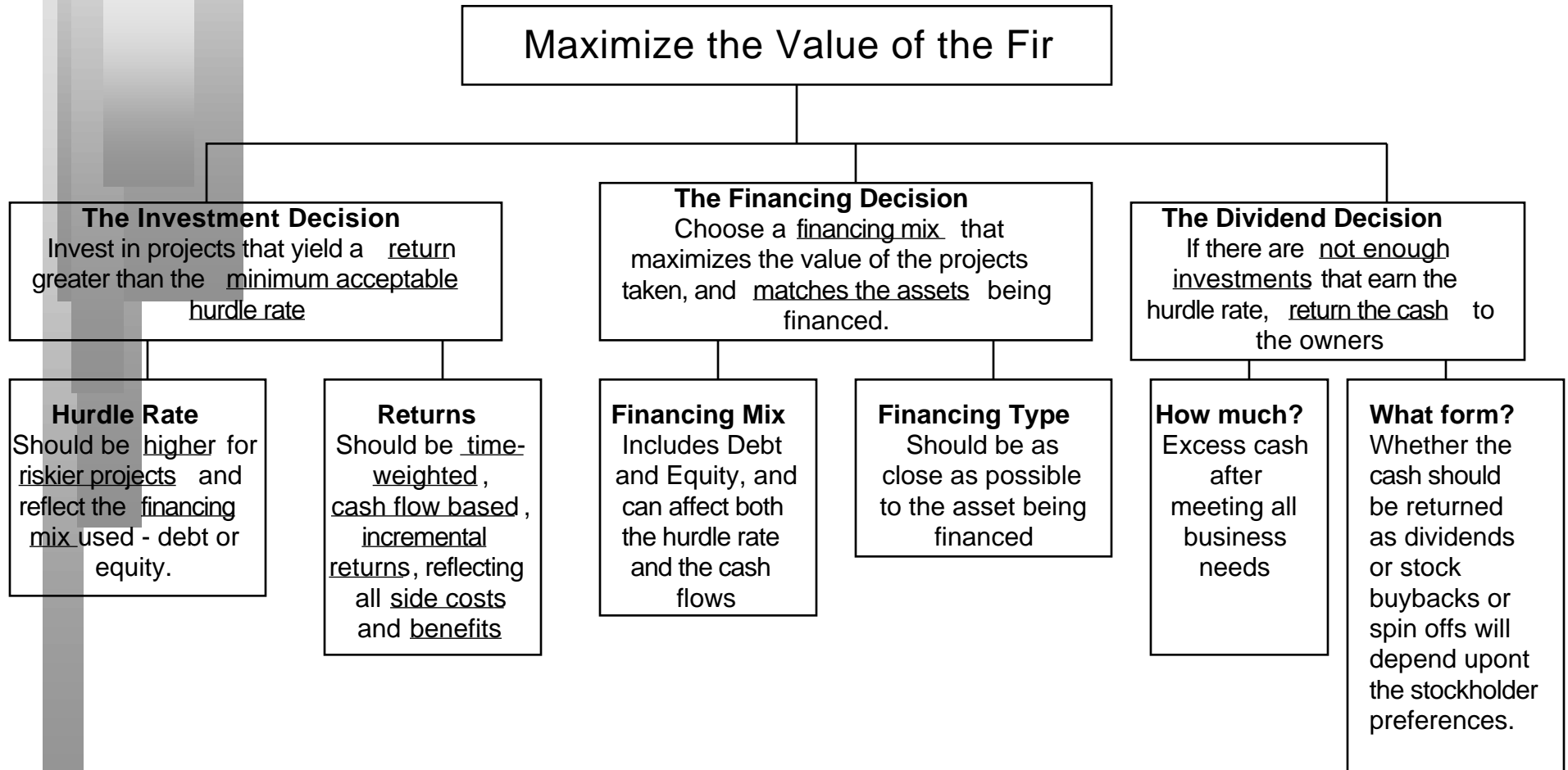
The Balance Sheet

Assets		Liabilities	
Long Lived Real Assets	Fixed Assets	Current Liabilities	Short-term liabilities of the firm
Short-lived Assets	Current Assets	Debt	Debt obligations of firm
Investments in securities & assets of other firms	Financial Investments	Other Liabilities	Other long-term obligation
Assets which are not physical, like patents & trademarks	Intangible Assets	Equity	Equity investment in firm

The Financial View of the Firm



Corporate Finance: First Principles



Outline for Class

- Understand the objective function: Session 1
- The Investment Principle
 - Risk and Hurdle Rates Session 1-2
 - Measuring Returns Session 2,3
- The Financing Principle
 - The Optimal Financing Mix Session 4-5
 - The Right Kind of Debt
- The Dividend Principle
 - How much to return to owners Session 6
 - How to return
- Linking financial decisions to value Session 7

Required Material

- I. Text: Lecture Notes
- II. Supplementary Text:
Applied Corporate Finance by Aswath Damodaran
- III. Practice Problems/Exams:
 - Every quiz I have ever given in any corporate finance class is available on my web site, with solutions.
 - There are also problems in the supplementary book, and solutions.
- IV. Computer Spreadsheet Programs: accessible on my home page www.stern.nyu.edu/~adamodar
- V. Real World Readings
 - Wall Street Journal, New York Times, Financial Times
 - Fortune, Forbes, BusinessWeek and Barrons

Chapters and Readings by Session

Session

1

Chapter 1, 2, 3

2-3

Chapter 4, 5

4-5

Chapter 7-9

6

Chapter 10,11

7

Chapter 12

Other Readings

- The New Corporate Finance Reader, edited by Donald H. Chew.
 - This book has a number of readings on topics in corporate finance, which are both readable and informative.
- Capital Ideas by Peter Bernstein
 - This book looks back at the development of many of the most important ideas in corporate finance.
- A Random Walk down Wall Street by Burt Malkiel
 - This is not a corporate finance book, but it provides a 'skeptic's' view of Wall Street and its ways.
- Sense and Nonsense in Corporate Finance by Louis Lowenstein
 - This book contests much that is taken as accepted wisdom in corporate finance. I agree with very little in this book, but it is worth reading for a contrary viewpoint.

Grading Basis

- **Project:** This is a project that will require you to apply everything you learn in class to a real company of your choice. It is worth 50%. The project is due two weeks after the final class (on March 23)
- **Individual Work:**
 - Quizzes: There will be two quizzes - 45 minutes each
 - Quiz 1: February 16: Covers material from sessions 1 and 2
 - Quiz 2: March 9: Covers material from session 3,4 and 5Each quiz will be worth 25%

Rules of Engagement

■ Rules on individual work

- All quizzes are strictly individual work. They are open-book and open-notes
- There will be no make-up quizzes. If you miss a quiz due to ill health, the grade will be redistributed over the remaining part of the course.
- I will be the grader, and I do make mistakes. If I screw up, bring it to my attention and I will fix it.

■ Rules on Participation

- All participation is welcome.