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NYU STERN
NEW YORK UNIVERSITY LEONARD N. STERN SCHOOL OF BUSINESS

Syllabus: Financial Management
C15.0007.01

Schedule:	**MW 3:00 - 5:55 pm**
Room:	**Tisch-LC12**

Instructor:	**Lorenzo Naranjo**
E-mail:	lnaranjo@stern.nyu.edu
Phone:	998-0433 (from NYU phone just dial 8-0433)
Office hours:	MW 10:00 - 12:00am, KMC 9-197. These are the official office hours, but feel free to stop by anytime if you have questions or other concerns.

Course website: Blackboard (http://sternclasses.nyu.edu)

Course description:
This is an introductory course in corporate finance. The course's main objective is to provide the students with an understanding of the tools that have been developed to value companies and investment projects (valuation). We will also have an introductory discussion about how firms should raise funds for their real investments (capital structure). One key objective of the course is to discuss the limitations and challenges that you will face 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).

Material:

- **(Required)** S. Ross, R. Westerfield and B. Jordan (RWJ), 2005, *Fundamentals of Corporate Finance*, 7th edition, **Customized Version**, Irwin McGraw-Hill

  We will be using a customized version of the textbook (available in the bookstore), which only includes the chapters that we need.

- **(Required)** Harvard Business School (HBS) Case Study: The Super Project

The case is also included in the course packet available at the bookstore.

- **(Highly Recommended)** Ivo Welch (IW), 2006, *A First Course in Corporate Finance*, preliminary web edition.

  This book is still under development and is available for free in electronic form on the web. I will post the electronic version of the book on our website. The author kindly asks for comments, suggestions and corrections to be incorporated in future versions, so if you spot any problems, or if you have any comments on the textbook, please let me know.

You will also need a calculator for your examinations. Although the course book recommends a financial calculator (like the TI BA II Plus or HP-10B), any calculator in which you can compute powers like x^y will do the job. While a financial calculator can make some computations much easier, the use of a financial calculator won't be the focus of this class. If you want to learn how to operate one you can find useful tutorials in your textbook.

I strongly recommend that you own a computer (desktop or laptop). You can also work at the Stern computer labs. Problem sets can be done much easily using a computer, and it is an excellent investment for your future career to know how to use an Excel spreadsheet to solve financial problems.

Course Requirements:
The course requirements consist of homework assignments, two quizzes covering class material, one case, and a final examination.

Assignments:
Homework assignments will be posted on Blackboard. I will also post solutions to all assignments. All assignments are due the next class after they are posted, as shown in the course schedule. Assignments must be handed in at the beginning of the class. No late assignments will be accepted. Collaboration and discussion among students are encouraged, but *the final versions of each assignment must be individual work*. You can work your assignments using Excel, but please write up your answers indicating how you get your results. There will be 9 assignments in total, but I will only consider the best 8 assignments to determine the grade.

Case Study:
There is one case study ("The Super Project") that you need to hand in. I will post some questions that you will have to answer. The objective of these questions is to make sure that you read the case so we can discuss it in class. You may work in groups of up to 4 students, although you can work alone if you prefer. If you have difficulties finding a group and you want to work with one please let me know.

Class participation:

Students are expected to be prepared for each class, and to contribute in a constructive manner to classroom discussion. Enthusiastic, smart and active participation in class will be rewarded with a 5% bonus at the end of the semester.

Quiz, Final:
There will be two small quizzes and one final examination. You can find the dates and the material covered for each quiz in the outline. Quizzes are closed book. A cheat sheet will be allowed for the final examination.

If it is impossible for you to take the examination at the indicated date please let me know in advance. Also, if you suffer any disability and require special arrangements please tell me at the beginning of the course.

Grading:
Your final grade depends on:

- Assignment 10% (best eight assignments, due at the beginning of class)
- Quiz 1 15 % (in class, closed book)
- Quiz 2 15 % (in class, closed book)
- Case 5% (due at the beginning of class)
- Final 50% (in class, closed book with cheat sheet)
- Participation 5%

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://w4.stern.nyu.edu/finance/academic.cfm?doc_id=4007

No incompletes will be given.

Course Schedule:

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

Session	**Date**	**Topic**	**Readings/*Assignment Due***
1	June 25	Overview of Corporate Finance Review of Discounted Cash Flow Valuation	RWJ Ch. 1, Ch. 5 and Ch. 6 (sections 6.1, 6.2)
2	June 27	Capital Budgeting Techniques: NPV and Alternative Techniques	RWJ Ch. 9 (sections 9.1, 9.2, 9.3, 9.5, 9.7) *Assignment S1 due in class*
3	July 2	Financial Statements and Cash Flows Setting Up a Discounted Cash Flow Analysis	RWJ Ch. 2 and Ch. 10 *Assignment S2 due in class*
	July 4	***No Class: Independence Day***	
4	July 9	Evaluating NPV Estimates Sensitivity and Scenario Analysis	RWJ Ch. 11 *Assignment S3 due in class* *Quiz 1(S1-S2) at the beginning of class*
5	July 11	Stock Valuation and the Cost of Equity	RWJ Ch. 8, Ch. 12 (sections 12.2, 12.3, 12.4, 12.5), Ch. 13 (sections 13.1, 13.4,13.5,13.6,13.7) IW Ch. 13 (sections 13.3, 13.4) *Assignment S4 due in class*
6	July 16	Case Discussion: The Super Project Bond Valuation and the Cost of Debt	RWJ Ch. 7 (sections 7.1, 7.2, 7.3, 7.5, 7.6, 7.7) IW Ch. 5 (section 5.2) *Assignment S5 due in class* *Case due in class*

7	July 18	Capital Structure and the Cost of Capital for a Firm	RWJ Ch. 17 (sections 17.1-17.4) RWJ Ch. 15 (sections 15.1-15.4) *Assignment S6 due in class*
8	July 23	Cost of Capital for a Division or a Project	RWJ 15.5 *Quiz 2(S3-S6) at the beginning of class* *Assignment S7 due in class*
9	July 25	Firm Valuation: More Techniques	IW Ch. 15, Ch. 23 *Assignment S8 due in class*
10	July 30	Raising Capital and Financing Review for the Final	RWJ Ch. 16 *Assignment S9 due in class*
11	Aug 01	Final Exam	*Final Exam at the beginning of the class*

Note: S# stands for the contents covered in Lecture Session #.