



CORPORATE FINANCE
ECON-AD 303
Section 001
Credits: 4

Instructor: **Pablo Hernandez**
Office: **Sama Tower 1401-A**,
Office phone: **+971 262 85356**
Office hours: Wednesday 10 – 10.45am
Email: pablo.hernandez@nyu.edu

Lectures: MoWe 4:15PM - 5:30PM, Room: N-209, DTCN.

Pre-requisites

Foundations of Financial Markets and Introduction to Accounting.

Required text

Corporate Finance, (3rd edition) by J. Berk and P. DeMarzo. Pearson.

The text is required and has been ordered for student purchase at the bookstore. Although the text will not be followed rigorously, the readings related to the topical coverage in the course have been specified below. The instructor will hand out supplementary notes which together with the text will form the core of knowledge to be assimilated in this course.

The following text is recommended but not required.

Principles of Corporate Finance, (11th edition) by F. Allen, S. C. Myers and R. A. Brealey. McGraw-Hill.

Course Description

The main goal of this course is to introduce students to the concepts and techniques necessary to analyze and implement optimal investment decisions. This course aims at giving the student a broad perspective on corporate finance topics, such as the value of assets, corporate taxation, capital structure, agency problems and mergers and acquisitions.

Learning Outcomes

Upon completion of the course students should be able to perform the following tasks:

- Prepare cash flows,
- Rank projects according to their rate of return and risk,
- Value a company according to standardized and accepted methods,
- Assess the costs and benefits of project financing.

The course will consist of weekly lectures (Monday and Wednesday) reviewing concepts and techniques used in corporate finance followed by analysis of problems and cases utilizing these. As the best way to learn corporate finance is continuous practice on solving applied problems, most of the learning in this course will take place through working on take-home assignments.

Methodologies

Please note that calculators **may be used** in take-home assignments and exams. Students should rely primarily on the book and instructor notes. The course will be oriented to problem solving using the concepts covered in class.

Homework, Exams and Evaluation Policy

There will be a midterm exam and a final exam. Each exam will take place at a time and location to be announced. Each of the two exams in this course counts for 35% of the final grade. There will be take-home assignments handed out throughout the term. They will count for 30% of the final grade. Grades are based solely on exams and assignments; there will be no extra credit or additional work in exchange for grades.

The dates of the exams will be announced as we proceed.

Students are expected to demonstrate their competence in a variety of ways including on examinations and assignments.

Class attendance

Not required but highly recommended. Cell-phones and laptops are not permitted in class, unless instructed otherwise.

Classroom citizenship

Students are expected to be diligent in the pursuit of their studies and regular in their attendance. As noted above, class attendance is not required; failure to attend is at your own risk. You are responsible for any announcements made or information given during class, no excuses will be accepted. The exams will be based on lecture material and required readings. Some of the lecture material may not be in the readings and the

student should have carefully read the material at least once before class. Class participation is strongly encouraged.

Student grievances and procedures

Complaints and questions about exam grades must be submitted in writing, written responses will follow.

Course Outline, list of topics

The course is divided into six units. The following brief course outline provides the list of broad topics to be covered and the sequence in which these will be covered.

Units 1, 2 and 3 ending with Midterm

1. **The corporation (Week 1)**
 - Types of firms, ownership vs. control, stock markets.
 - Financial statement analysis
2. **Tools and basic valuation (Weeks 2-4)**
 - Arbitrage and financial decision making: Interest rate, NPV and arbitrage
 - Internal rate of return, payback and capital budgeting.
3. **Risk and return (Weeks 5-6)**
 - Capital markets and pricing risk, CAPM, cost of capital and investors' behavior.

Unit 4, 5 and 6 ending with Final Exam

4. **Capital structure and valuation (Weeks 7-10)**
 - Capital vs debt financing, debt and taxes.
 - Financial distress, managerial incentives and information.
 - Capital budgeting and valuation with leverage
5. **Options (Weeks 11-12)**
 - Financial options, option valuation and real options.
6. **Financing, mergers and acquisitions (M&A) and corporate governance (Weeks 13-14)**
 - Long-term and short-term financing, process to merge and acquire.
 - Corporate governance: Agency costs, compensation and conflict.

A somewhat more detailed list of sub-topics to be covered under each topic, along with the relevant chapter readings for each unit will be announced in class when we get to that point.

Disability Accommodation

Anyone who anticipates difficulties with the content or format of the course due to a physical or learning disability should see me immediately in order to work out a plan.

Classroom etiquette

I'd like to provide an excellent learning environment for everyone. This can be ensured if everybody observes certain basic ground rules.

- Do not use laptops or other electronic devices for anything during class time except when instructed otherwise.
- If you are attending the lecture, plan on being there for the entire duration of the class. If you absolutely must leave early for a good reason, on any given day, please sit near the door and leave quietly.
- Food or drink within reason is fine.
- It's always welcome to interrupt with questions related to the material being covered.

This syllabus is subject to change at the discretion of the Instructor.