New York University
Robert F. Wagner Graduate School of Public Service

PADM-GP.2147
Corporate Finance and Public Policy
Fall 2014

Professor Jean Lee
Email: jean.n.lee@nyu.edu
Office Hours: Tuesday 3-4 (Puck 3034)

Course Description:
This course is designed to provide an introduction to the principles of Corporate Finance, with public policy applications. The objectives of the course are for students to:

1. Understand the tools used to make investment decisions
2. Know the basic issues involved in financing decisions
3. Understand the mechanisms for financing new investments
4. Learn how to value a business
5. See how investment and financing decisions are related

This course will introduce students to both the theory and practice of corporate finance, with a focus on understanding both the value and limits of the tools and methods presented in policy settings.

Prerequisites:
CORE-GP.1018 Microeconomics
CORE-GP.1021 Financial management

Website and Email:
The course website is available on NYU Classes. Announcements and supplementary materials (journal articles, relevant news articles, homework solutions, etc.) will be posted there. In addition, course announcements will be sent through NYU Classes’ email system, so please do check your NYU email account on a regular basis.

Textbook:
The textbook for the course is:


Copies of the course textbook are available via Amazon or at the NYU Bookstore.
Lecture Notes:

The course will rely heavily on a set of lecture notes based on chapters out of Brealey, Myers and Allen. These lecture notes will be made available to you via the course website one day before the lecture. Please bring a printed copy with you to class. All of the material you need to know for the homeworks and exams will be covered in these comprehensive lecture notes.

Case Studies and Readings:

Required readings for the course will be posted weekly on the course website. These will include articles from the popular media, academic articles, and case studies. These readings will be the basis for a weekly class discussion which will count toward your grade.

In addition, there will be one in-depth assignment based on a case study required for the course. This case study will be available for purchase online from the Harvard Business Review website. A link will be provided to you to purchase the case via course email.

The class schedule below also notes the chapters in Brealey, Myers and Allen which will be helpful to you if you would like to do supplemental reading. These readings, however, are optional and not required.

Calculator:

Please bring a calculator that can handle powers \((x^y)\) with you to class and to exams.

Course Requirements:

- **Attendance and class participation (15%)**: The course material described in the syllabus will be supplemented with readings from the popular press, academic articles, and cases, and each lecture will include a discussion of these readings. Participation in these discussions, and in discussions in the course more broadly, as well as attendance, will contribute to this part of your grade.

- **10 problem sets (15%)**: Problem sets will be assigned in most weeks during the course, and will be due each Wednesday at the beginning of class. The problem sets are designed to help you understand and apply the material covered during the previous week’s lecture. Group work on problem sets is encouraged, but each student must turn in an individual solution to the problem set. Solutions will be posted on the course website. The schedule of problem set due dates is noted in the week-by-week class schedule detailed below.

- **Case study (15%)**: One case study will be assigned during the course which will allow you to more deeply explore the theoretical and practical issues raised during lecture and in your problem sets. You may work in groups, but for this assignment, you will be required to note on your individual solution the names of the students you worked with, if any. Solutions for this assignment will be both posted on the course website and discussed in class.
• **Midterm exam (20%)**: The midterm exam will test your knowledge and understanding of the material presented in the first half of the course, as well as your ability to apply that knowledge to new examples and policy applications.

• **Final exam (35%)**: The final exam will test your knowledge and understanding of the material presented in the second half of the course, as well as your ability to apply that knowledge to new examples and policy applications.

**Academic Integrity:**

Any instances of violations of Wagner’s academic code will be treated with the utmost seriousness. Please review the academic code here: [http://wagner.nyu.edu/current/policies/index.php](http://wagner.nyu.edu/current/policies/index.php).

**Class Schedule:**

Lecture 1 (September 3): Introduction and Net Present Value
  - Brealey, Myers and Allen, Chapters 2-1 to 2-4

Lecture 2 (September 10): Valuing Bonds and Stocks
  - Brealey, Myers and Allen, Chapters 3-1 to 3-3 and 4-1 to 4-5
  - Homework 1 due

Lecture 3 (September 17): Rules for Investment
  - Brealey, Myers and Allen, Chapters 5-1 to 5-3, 6-1 and 6-3
  - Homework 2 due

Lecture 4 (September 24): Cash Flow Analysis
  - Brealey, Myers and Allen, Chapters 6-2
  - Homework 3 due

Lecture 5 (October 1): Risky Investments
  - Brealey, Myers and Allen, Chapters 7-1 to 7-5
  - Homework 4 due

Lecture 6 (October 8): CAPM Pricing and the Cost of Capital
  - Brealey, Myers and Allen, Chapters 8-1 to 8-3 and 9-1 to 9-3
  - Homework 5 due

Midterm (October 15)

Lecture 7 (October 22): Option Value
  - Brealey, Myers and Allen, Chapters 20-1 to 20-3, 21-1, and 22-1 to 22-4

Lecture 8 (October 29): Capital Structure
• Brealey, Myers and Allen, Chapters 14-1 to 14-5 and 15-1 to 15-5
• Homework 6 due

Lecture 9 (November 5): Case Solutions and Agency Problems
• Brealey, Myers and Allen, Chapters 12-1 to 12-3
• Case Study due

Lecture 10 (November 12): Interactions Between Investment and Financing
• Brealey, Myers and Allen, Chapters 17-1 to 17-4, 18-1 to 18-3 and 19-1 to 19-4
• Homework 7 due

Lecture 11 (November 19): Payout Policy
• Brealey, Myers and Allen, Chapters 16-1 to 16-6
• Homework 8 due

Lecture 12 (November 26): Debt Financing
• Brealey, Myers and Allen, Chapters 23-1 to 23-6 and 24-1 to 24-4
• Homework 9 due

Lecture 13 (December 3): Financial Analysis and Concluding Remarks
• Brealey, Myers and Allen, Chapters 28-1 to 28-9
• Homework 10 due

Final (December 17)