

NEW YORK UNIVERSITY
ROBERT F. WAGNER GRADUATE SCHOOL OF PUBLIC SERVICE
PADM-GP.2147
CORPORATE FINANCE
AND PUBLIC POLICY

Fall 2015, Tuesdays, 4:55 pm - 6:35 pm

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Office hours: Tuesdays, 2 PM – 4 PM
 Thursdays, 4 PM – 6 PM
 or by appointment

This course introduces students to the main areas of corporate finance and how they relate to policy issues and discussions. The course covers topics in the three main areas of corporate finance: 1) capital structure (financing choices), 2) valuation (project and firm valuation) and 3) corporate governance (optimal governance structures). We will analyze how public policy, through taxes, public expenditures and regulation, affect these aspects of corporate finance. The course will additionally explore how key economic events have shaped public policy and influenced corporate financial practices. Case analysis will be used to enable students to understand practical application of the corporate finance theory introduced in the course and will also incorporate discussion of corporate finance in the context of social enterprises.

The course textbook is Corporate Finance: A Focused Approach, 5th Edition, Michael C. Ehrhardt and Eugene F. Brigham. The text is supplemented with a packet of cases to be acquired at: <https://cb.hbsp.harvard.edu/cbmp/access/37500800>

You should also have a financial calculator. Those of you that have smartphones may wish to download a financial calculator application for this purpose.

Prerequisites for this course include CORE-GP.1018 Microeconomics for Public Management, Planning and Policy Analysis and CORE-GP.1021 Financial Management or 1) comparable understanding of microeconomics and budgeting and accounting and 2) proficiency in Excel or some comparable spreadsheet program.

It is important that you come to class well prepared. Having read the cases in advance of class is critical to learning in this course. You will be expected to actively participate in case discussions and participation will be a component of your grade.

GRADING

Your course grade will be determined as follows:

Active Class Participation	10%
Case Questions (as assigned)	10%
Homework Questions	10%
Paper	20%
Mid-term	20%
Final Exam	30%

- 1** **9/8/15** **An Overview of the Financial Environment**

Textbook- Chapter 1
Homework: Mini Case: Chapter 1 – questions a, d, e, f and g

- 2** **9/15/15** **Financial Statements, Cash Flow, and Taxes**

Textbook- Chapter 2 (and Chapter 3 review only)
Case : American Greetings
Homework: Chapter 2 Problem 2-12 (a-f)
Chapter 3 Problems 3-1 through 3-10

- 3** **9/22/15** **Time Value of Money
Bonds, Bond Valuation, and Interest Rates**

Textbook – Chapter 5 (and Chapter 4 review only)
Case: Note on Bond Valuation and Returns
Homework: Problems 2 - 5 in Note on Bond Valuation Case

- 4** **9/29/15** **Risk, Return, and the Capital Asset Pricing Model**

Textbook – Chapter 6
Case: Applying the Capital Asset Pricing Model
Case: Marriott Corp.: The Cost of Capital (Abridged)
Case: American Greetings (continued)
Homework: Chapter 6 Problems 6-2, 6-3, 6-6, 6-7, 6-8

- 5** **10/6/15** **Valuation of Stocks and The Cost of Capital**

Textbook- Chapter 7 and Chapter 9
Case: Marriott Corp.: The Cost of Capital (Abridged)-Cont.
Nike, Inc. Cost of Capital
Homework: Chapter 7 Problems 7-8, 7-9, 7-10, 7-14, 7-16
Chapter 9 Problems 9-8, 9-10, 9-15

- 6 10/20/15 **Capital Structure Decisions**
- Textbook – Chapter 15
Case: Hospital Corporation of America (A)
Homework: Chapter 15 Problems 15-8 and 15-9
- 7 10/27/15 **Mid – Term Exam**
(covers Chapters 1 through 7, 9 and 15)
- 8 11/3/15 **The Basics of Capital Budgeting: Evaluating Cash Flows**
- Textbook – Chapter 10
Case: Target Corporation
Homework: Chapter 10 Problems 10-7, 10-9, 10-13
- 9 11/10/15 **Cash Flow Estimation and Risk Analysis**
Corporate Finance - the Social Enterprise Context
- Textbook – Chapter 11
Case: Female Health Company
Homework: Chapter 11 Problems 11-7 and 11-9, Mini Case a-g
- 10 11/17/15 **Corporate Valuation and Financial Planning**
Corporate Finance - the Social Enterprise Context (cont.)
- Textbook – Chapter 12
Case: Honest Tea
Policy Paper Due
Homework: Chapter 12 Problems 12-5 and 12-6
- 11 11/24/15 **Agency Conflicts and Corporate Governance**
- Textbook – Chapter 13
Case: Canada's Response to Sarbanes-Oxley
Case: JP Morgan and the Dodd-Frank Act
Homework: Chapter 13 Questions 13-1 through 13-5
- 12 12/1/15 **Distributions to Shareholders: Dividends and Repurchases**
- Textbook – Chapter 14
Case: Financial Policy at Apple, 2013 (A)
Homework: Chapter 14 Problems 14-3, 14-4, 14-5 and 14-6

13 12/8/15 Corporate Valuation in a Global Context

Textbook - Chapter 17

Case: Tokyo Disneyland and the Disney Sea Park: Corporate Governance and Differences in Capital Budgeting Concepts and Methods Between American and Japanese Companies

14 12/15/15 Final Exam

COURSE RULES AND REQUIREMENTS

1. Absences

Attendance will be taken for each class. As active participation is an important element of your grade, so is attendance. Any more than three absences will result in a 0 for the class participation portion of your grade. Please notify me by email prior to any class in which you will be absent or late.

2. Group Work

Several of the in-class case discussions will involve group work. You are expected to work cooperatively in such groups and to be an individual contributor to the group process. Group dynamics will be observed and will also contribute to the class participation portion of your grade.

3. Preparation

As stated in the syllabus, this is a case-oriented course. Therefore, coming to course having read the case is absolutely required. Students will be asked questions whether or not they offer to participate so make sure you have done your preparation.

4. Academic Honesty

Academic dishonesty will not be tolerated. Participation in cheating, forgery, and plagiarism are subject to disciplinary action.

5. Wagner School Policies

The course will be subject to all Wagner School policies including those regarding Withdrawals and Incompletes.

POLICY PAPER

Identify a government policy enacted over the last decade or under consideration that has had (or will have) an impact on corporate finance in the country of your choice. The policy can be either US or non-US related. In selecting a relevant policy, you may want to consider, in particular, four factors beyond management control that influence cost of capital:

1. Interest Rates
2. Credit Crisis
3. Market Risk Premiums
4. Tax Rates

Your paper should be *no more than 5 pages* in length, and cover the following. a) Executive Summary, b) Description of the Policy enacted or under consideration, c) History of Policy's adoption including economic circumstances leading to its consideration, d) specific ways in which the policy's enactment has or could impact corporate finance (e.g., Security Market Line and Capital Asset Pricing Model, Yield Curve, Weighted Average Cost of Capital calculations, capital structure decisions, etc.).