



NYU

**ROBERT F. WAGNER GRADUATE
SCHOOL OF PUBLIC SERVICE**

PADM-GP.2147

CORPORATE FINANCE AND PUBLIC POLICY

Fall 2018

Instructor and Course Information

- Professor Scott Taitel
- Email: staitel@nyu.edu
- Office Hours: 3070 Puck, Tuesdays and Wednesdays, 3–4 PM, or by appointment
- Course time and location: Tuesdays, 4:55–6:35 PM, TISC_LC11

Course Prerequisites

- CORE-GP.1018
- CORE-GP.1021
- PADM-GP.4130

Course Description

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). Where relevant, 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.

Course and Learning Objectives

Course Learning Objective Covered	Corresponding Assignment Title
Understand core concepts and mechanics of corporate finance	<ul style="list-style-type: none">▪ Problem Sets for Chapters 1,2,5,6,7,9,10,11 and 15▪ Midterm and Final Exam

Course Learning Objective Covered	Corresponding Assignment Title
Develop ability to apply corporate finance concepts to management and decision making	Nike, Target and Disney Case Memos
Learn to assess public policy implications on corporate finance considerations	Policy Paper

Required Readings

Required Text:

Corporate Finance: A Focused Approach, 6th Edition, Michael C. Ehrhardt and Eugene F. Brigham. (Loose leaf versions bundled with access to on-line supplemental content are available at the NYU Bookstore, rental versions should also be available from Amazon and used copies of the 5th edition may also be available – all are acceptable alternatives to higher priced hard-bound new books)

Required Case Packets:

The text is supplemented with a packet of cases to be acquired at: [Case Packets](https://hbsp.harvard.edu/import/539066),
<https://hbsp.harvard.edu/import/539066>

NYU Classes

All announcements, resources, and assignments will be delivered through the NYU Classes site. I may modify assignments, readings, due dates, and other aspects of the course as we go through the term with advance notice provided as soon as possible through the course website.

Academic Integrity

Academic integrity is a vital component of Wagner and NYU. All students enrolled in this class are required to read and abide by [Wagner's Academic Code](#). All Wagner students have already read and signed the [Wagner Academic Oath](#). Plagiarism of any form will not be tolerated and students in this class are expected to report violations to me. If any student in this class is unsure about what is expected of you and how to abide by the academic code, you should consult with me.

Henry and Lucy Moses Center for Students with Disabilities at NYU

Academic accommodations are available for students with disabilities. Please visit the [Moses Center for Students with Disabilities \(CSD\) website](#) and click on the Reasonable Accommodations and How to Register tab or call or email CSD at (212-998-4980 or

mosescsd@nyu.edu) for information. Students who are requesting academic accommodations are strongly advised to reach out to the Moses Center as early as possible in the semester for assistance.

NYU's Calendar Policy on Religious Holidays

[NYU's Calendar Policy on Religious Holidays](#) states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. Please notify me in advance of religious holidays that might coincide with exams to schedule mutually acceptable alternatives.

Student Resources

Wagner offers many [quantitative](#) and [writing](#) resources as well as [skills workshops](#). The library offers a variety of [data services](#) to students.

Class Policies

I will generally answer emails within 48 hours of receipt, but not on weekends. Questions regarding projects will be answered only if they relate to those sections for which progress milestones have not passed.

Note Wagner's [incomplete policy](#) and [course withdrawal policy](#).

Assignments and Evaluation

Your course grade will be determined as follows:

Active Class Participation: 10%

Case Memos (as assigned): 10%

Homework Questions: 10%

- You can skip up to **two** homework problem sets, but all are recommended to be completed.
- Assigned case questions are mandatory.

Paper: 20%

Mid-term: 20%

Final Exam: 30%

Participation is awarded based on attendance (one unexcused absence permitted), punctuality and engagement in class discussions. Missing or being late for two or more classes for the semester will negatively impact your participation grade. Extraordinary circumstances include religious observances and illness but you must give notice via email as soon as possible.

All students benefit from high levels of participation, so you are expected to do readings (particularly of cases) prior to class, attend class, and contribute to the discussion. Case guideline questions can be found in NYU Classes/Resources to help you think in advance about potential discussion points.

Overview of the Semester

Deliverables due by 5 PM on the day of class unless another date is noted.

Week	Date	Topic	Deliverable
Class 1	9/4	An Overview of the Financial Environment	None
Class 2	9/11	Financial Statements, Cash Flow, and Taxes Case: American Greetings	Mini Case: Chapter 1 – questions a, d, e, f and g
Class 3	9/18	Time Value of Money Bonds, Bond Valuation, and Interest Rates Case: Note on Bond Valuation and Returns	Chapter 2 Problem 2-12 (a-f) Chapter 3 Problems 3-1 through 3-10
Class 4	9/25	Risk, Return, and the Capital Asset Pricing Model Cases: Applying the Capital Asset Pricing Model; Marriott Corp.: The Cost of Capital (Abridged); American Greetings (continued)	Chapter 5 Problems 5-1, 5-2, 5-7, 5-8, 5-9 (a) Problems 2 and 3 in Note on Bond Valuation Case
Class 5	10/2	Valuation of Stocks and The Cost of Capital Cases: Marriott Corp.: The Cost of Capital (Cont.); Nike, Inc. Cost of Capital	Chapter 6 Problems 6-2, 6-3, 6-6, 6-7, 6-8 Nike Case One-Page Memo
	10/9	No Class	
Class 6	10/16	Capital Structure Decisions Case: Hospital Corporation of America (A)	Chapter 7 Problems 7-8, 7-9, 7-10, 7-14, 7-16 Chapter 9 Problems 9-8, 9-10, 9-15 Proposed Policy Paper Topic
Class 7	10/23	Mid-Term Exam	
Class 8	10/30	The Basics of Capital Budgeting: Evaluating Cash Flows Case: Target Corporation	Chapter 15 Problems 15-8 and 15-9 Target Case One-Page Extra Credit Memo
Class 9	11/6	Cash Flow Estimation and Risk Analysis; Corp. Finance - the Social Enterprise Context Case: Female Health Company	Chapter 10 Problems 10-7, 10-9, 10-13
Class 10	11/13	Corporate Valuation and Financial Planning; Corp. Finance - the Social Enterprise Context (cont.) Case: Honest Tea	Policy Paper Due (5 pages max) Chapter 11 Problems 11-7 and 11-9, Mini Case a-g
Class 11	11/20	Agency Conflicts and Corporate Governance Cases: The Sarbanes-Oxley Act;	Chapter 12 Problems 12-5 and 12-6

Week	Date	Topic	Deliverable
		Barnes & Noble, Inc.: The Yucaipa Proxy Challenge	
Class 12	11/27	Distributions to Shareholders: Dividends and Repurchases Case: Financial Policy at Apple, 2013 (A)	Chapter 13 Questions 13-1 through 13-5
Class 13	12/4	Corporate Valuation in a Global Context Case: Tokyo Disneyland and the Disney Sea Park	Chapter 14 Problems 14-3, 14-4, 14-5, 14-6 Tokyo Disneyland One-Page Memo
Class 14	12/11	Presentations and Final Exam Review	Policy Paper Presentations
	12/18	Final Exam	

Grading Scale and Rubric

Students will receive grades according to the following scale:

There is no A+

A = 4.0 points

A- = 3.7 points

B+ = 3.3 points

B = 3.0 points

B- = 2.7 points

C+ = 2.3 points

C = 2.0 points

C- = 1.7 points

There are no D+/D/D-

F (fail) = 0.0 points

Grading Criteria

Student grades will be assigned according to the following criteria:

(A) Excellent: Exceptional work for a graduate student. Work at this level is unusually thorough, well-reasoned, creative, methodologically sophisticated, and well written. Work is of exceptional, professional quality.

(A-) Very good: Very strong work for a graduate student. Work at this level shows signs of creativity, is thorough and well-reasoned, indicates strong understanding of appropriate methodological or analytical approaches, and meets professional standards.

(B+) Good: Sound work for a graduate student; well-reasoned and thorough, methodologically sound. This is the graduate student grade that indicates the student has fully accomplished the basic objectives of the course.

(B) Adequate: Competent work for a graduate student even though some weaknesses are evident. Demonstrates competency in the key course objectives but shows some indication that understanding of some important issues is less than complete. Methodological or analytical approaches used are adequate but student has not been thorough or has shown other weaknesses or limitations.

(B-) Borderline: Weak work for a graduate student; meets the minimal expectations for a graduate student in the course. Understanding of salient issues is somewhat incomplete. Methodological or analytical work performed in the course is minimally adequate. Overall performance, if consistent in graduate courses, would not suffice to sustain graduate status in “good standing.”

(C/-/+) Deficient: Inadequate work for a graduate student; does not meet the minimal expectations for a graduate student in the course. Work is inadequately developed or flawed by numerous errors and misunderstanding of important issues. Methodological or analytical work performed is weak and fails to demonstrate knowledge or technical competence expected of graduate students.

(F) Fail: Work fails to meet even minimal expectations for course credit for a graduate student. Performance has been consistently weak in methodology and understanding, with serious limits in many areas. Weaknesses or limits are pervasive.

Detailed Course Overview

9/4/18: An Overview of the Financial Environment

Textbook

- Chapter 1

Homework

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

9/11/18: 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

9/18/18: 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

- Chapter 5 Problems 5-1, 5-2, 5-7, 5-8, 5-9 (a)
- Problems 2 and 3 in Note on Bond Valuation Case

9/25/18: Risk, Return, and the Capital Asset Pricing Model

Textbook

- Chapter 6

Case

- Applying the Capital Asset Pricing Model
- Marriott Corp.: The Cost of Capital (Abridged)
- American Greetings (continued)

Homework

- Chapter 6 Problems 6-2, 6-3, 6-6, 6-7, 6-8

10/2/18: Valuation of Stocks and The Cost of Capital

Textbook

- Chapter 7 and Chapter 9

Cases

- Marriott Corp.: The Cost of Capital (Abridged)-Cont.
- Nike, Inc. Cost of Capital
- **Nike One-Page Memo Due**

Homework

- Chapter 7 Problems 7-8, 7-9, 7-10, 7-14, 7-16
- Chapter 9 Problems 9-8, 9-10, 9-15

10/16/18: Capital Structure Decisions

Textbook

- Chapter 15

Case

- Hospital Corporation of America (A)

Homework

- Chapter 15 Problems 15-8 and 15-9
- **Policy Paper Proposed Topic Due**

10/23/18: Mid-Term Exam

(covers Chapters 1 through 7, 9 and 15)

10/30/18: The Basics of Capital Budgeting: Evaluating Cash Flows

Textbook

- Chapter 10

Case

- Target Corporation
- **Target One-Page Memo Extra Credit Due**

Homework

- Chapter 10 Problems 10-7, 10-9, 10-13

11/6/18: 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

11/13/18: Corporate Valuation and Financial Planning Corporate Finance

Textbook

- Chapter 12

Case

- Honest Tea
- **Policy Paper Due**

Homework

- Chapter 12 Problems 12-5 and 12-6

11/20/18: Agency Conflicts and Corporate Governance

Textbook

- Chapter 13

Case

- The Sarbanes-Oxley Act
- Barnes & Noble: The Ucaipa Proxy Challenge

Article

- What You Should Know About Dodd-Frank and What Happens If It's Rolled Back

Homework

- Chapter 13 Questions 13-1 through 13-5

11/27/18: Distributions to Shareholders: Dividends & Repurchases

Textbook

- Chapter 14

Case

- Financial Policy at Apple, 2013 (A)

Homework

- Chapter 14 Problems 14-3, 14-4, 14-5 and 14-6

12/4/18: 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
- **Tokyo Disneyland One-Page Memo Due**

12/11/18: Policy Paper Presentations and Final Exam Review

12/18/18: Final Exam (Cumulative)

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 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.).

Students will have an opportunity to volunteer to present their policy papers which will be counted toward class participation.