



NYU

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

PADM-GP.2147.001

CORPORATE FINANCE AND PUBLIC POLICY

Fall 2023

Instructor Information

- Professor Martha E. Stark
- Email: martha.stark@nyu.edu
- [Office Hours](#): Mondays and Tuesdays, 2:00-3:30, and by appointment
- Office Location: Puck Building, 295 Lafayette Street, Room 3070 (**Note: new office**)

Course Information

- Class Meeting Times: Mondays, 4:55 – 6:35 PM
- Class Location: 194 Mercer Street, Room 306B

Course Prerequisites

- CORE-GP.1018-Microeconomics
- CORE-GP.1021-Financial Management
- Accounting is not a prerequisite but some students may want to familiarize themselves with some basic accounting principles.
- Thorough and comfortable ability to handle algebra and arithmetic, not higher math. There are a lot of formulas in the class and we will learn how to calculate almost all of them in excel. Therefore, we will hone our excel skills together!!!
- A computer or other device that can run excel.

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) valuation (project and firm)—how should one decide whether to buy a project, 2) capital structure-investment (financing choices) —how should an investor choose; how should you finance projects, and 3) corporate governance (optimal governance structures). Cases will be used to help students understand the practical application of the corporate finance theories introduced in the

course and will also incorporate discussion of corporate finance in the context of event occurring in real time during the semester.

First, we will start the course by assuming that there is a **perfect market**—no taxes, no transaction costs, no disagreements, and more than enough sellers and buyers. **Second**, we will introduce the concept of risk and what impact it has in a perfect market. **Third**, we will cover value and market efficiency in an **imperfect market** and then we will test the skills we learned on the take-home open book midterm exam. **Fourth**, after the midterm, we will apply the concepts in earnest to real-world examples. **Fifth**, we will tackle Capital Structure and Payout Policy to show how the issues play out in the imperfect messy world. Here is where we will analyze and discuss how public policy, through taxes and regulation affect different aspects of corporate finance. **Sixth**, we will project the future by constructing pro formas and analyzing actual corporations. **Finally**, we will end the semester thinking about corporate governance—the movement and several key concepts.

As the world does not stop during our course, we will start every class with a look at what’s happening in the corporate finance world. Case analysis will be used to enable students to understand practical application of the corporate finance theories introduced in the course and we will also where possible incorporate discussion of corporate finance in the context of social enterprises and the global economy.

Course Format

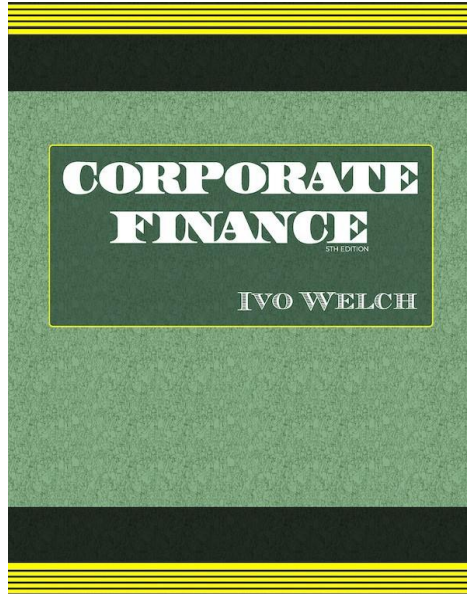
This course is designed for your self-study of the theoretical material as introduced in your online textbook. Homework problems will be assigned regularly to strengthen concept learning.

Course and Learning Objectives

Course Learning Objectives	Corresponding Assignment Title
Understand core concepts and mechanics of corporate finance	<input type="checkbox"/> Homework Assignments <input type="checkbox"/> Midterm and Final Exams
Develop ability to apply corporate finance concepts to management and decision making	<input type="checkbox"/> Case Study Analysis, Weekly Discussion
Learn to assess public policy implications on corporate finance considerations	<input type="checkbox"/> Weekly Discussion, Policy Paper

Course Materials

1. Required Text: The Best Widely-Used Corporate Finance Textbook that is free!!!! (hereafter, referred to as Welch).



You can access the text book in two ways:

- 1) Click on the book (there's a link embedded or use this link [Corporate Finance, Welch, 5th Edition, 2022](#). It is free online. [Read Online Now](#) (free pdf's). When prompted, please enter your NYU email address.

OR

- 2) Buy a printed paperback copy from [Amazon for \\$59](#) (740 pages).

2. Ehrhardt, **Corporate Finance: A Focused Approach_8e** (hereafter Cengage, Select Chapters Provided on Brightspace)

3. Required Course Packs:

To smooth the costs associated with the course, I have developed three course packs that contain cases and/or simulations. Depending on how the course goes, I will let you know the timing of, and whether you need to purchase the other two course packs.

- This [course pack](#) should be purchased as soon as you are able and in no event later than after our first class on September 11th. (Cost: \$21.25)
- I have purchased access for you to all case studies that will be used in the second half of the course.

Assessment Assignments and Evaluation

Your course grade will be determined as follows:

1. Attendance: 5%
2. Active Class Participation including in class and in any groups: 10%
3. Homework and Case Study Assignments: 40%
4. Midterm Exam: 20%
5. Final Exam: 25%

We all benefit if all students participate, so please do all readings prior to class, attend class, contribute to the discussion, be naturally inquisitive, and not content to be confused.

Late Submission Policy for Assignments

Extensions will be granted only in case of emergency, out of respect to those who abide by deadlines despite equally hectic schedules. Late submissions without approved extensions will be penalized up to 10% per 24-hour period.

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

Reminders—Quantitative-formulas and equations, Common Sense, A Way of Thinking

You will draw on some of the things that you have already learned about nonprofits, health organizations and government. As you may recall, financial management is universal—the basic analysis that we will do in corporate finance overlaps with the several skills that you have already been exposed to. In corporate finance, the key questions are a little different but the underlying quantitative skills are the same. In particular, your knowledge of basic accounting and financial management skills will be honed with topics including:

- valuing bonds,
- assessing the viability of capital projects,
- balance sheets,
- inventory valuation,
- income statements,
- depreciation calculations,
- earnings per share,
- statements of cash flows,
- effects of accounting transactions, and
- common-size ratio analysis.

Overview of the Semester

Deliverables due by 4:30 PM on the day of class unless another date or time is noted.

Week	Date	Topic	Deliverable Due Before Class
Class 1	9/11	Overview of the Course: Expectations, Questions, Textbook Introduction Value and Capital, Budgeting: Present Value	Read Welch , Chapters 1-Introduction and 2-Present Value Submit Case Study Assignment: Time Value of Money: The Buy versus Rent Decision
Class 2	9/18	Value and Capital Budgeting, cont: Stock and Bond Valuation, and A First Encounter with Capital Budgeting Rules	Read Welch , Chapters 3-Stock and Bond Valuation and 4-Capital Budgeting Rules Submit: Homework #1-Chapter 2
Class 3	9/25	Value and Capital Budgeting: Time-Varying Rates of Return and the Yield Curve	Read Welch , Chapter 5-Time-Varying Rates of Return and Yield Curve Case Study Assignment: Developing Financial Insights: Using a Future Value (FV) and a Present Value (PV) Approach
Class 4	10/2	Value and Capital Budgeting: Uncertainty, Default, and Risk	Read Welch , Chapter 6-Uncertainty, Default, and Risk Case Study Assignment: UK Gilts: Analysis of Bond Investments
	10/9	Legislative Day – No Class on Monday	
Class 5	Class Meets Tuesday 10/10	Risk and Reward: A First Look at Investments and Investor Choice: Risk and Reward	Read Welch , Chapters 7-First Look at Investments and 8-Risk and Reward Submit: Homework #2-Various Chapters
Class 6	10/16	Risk and Return: Benchmarked Costs of Capital and The Capital Asset Pricing Model (CAPM)	Read Welch , Chapters 9-Benchmarked Costs of Capital and 10-Capital Asset Pricing Model Submit: Homework #3-Various Chapters
Class 7	10/23	<p>Midterm Exam (At home) The exam will be timed—150 minutes and will include short answer as well some analytical questions.</p> <p>You will be able to take the exam at anytime starting Sunday, October 22nd and ending no later than Monday, October 23rd at 11:59 pm.</p> <p>Once you start the exam, you must complete it!</p>	
Class 8 UPDATED	10/30	Market Efficiency: Financial Statements, Cash Flows, Taxes	Read Cengage, Chapter 2 , Financial Statements, Cash Flow, and Taxes Skim Welch: Chapter 14-Financial Statements to Economic Cash Flows

Week	Date	Topic	Deliverable Due Before Class
Class 9 UPDATED	11/6	Analysis of Financial Statements, Real-World Applications	Read: Cengage, Chapter 3 , Analysis of Financial Statements Read: Case Study—AT&T versus Verizon (see Brightspace site for copy of case study) Submit: 7. Assignment AT&T versus Verizon (see Brightspace)
Class 10 UPDATED	11/13	Real-World Applications: Valuation-Comparables and Financial Ratios Capital Structure and Payout Patterns: Corporate Claims	Read: Cengage, Chapter 7 , Corporate Valuation, Stock Valuation, and Stock Market Equilibrium Rates Skim: Welch, Chapters 15 -Valuation from Comparables and Financial Ratios Read: Case Study—American Greetings (see Brightspace site for copy of case study) Submit: 8. Assignment-Ratio Analysis Assignment (see Brightspace)
Class 11 UPDATED	11/20	Capital Structure and Payout Patterns: Corporate Valuation, Capital Structure	Read: Cengage, Chapter 12 , Corporate Valuation and Financial Planning Skim: Welch, Chapters 17 -Capital Structure Read: Case Study—Elon Musk Twitter (see Brightspace site for copy of case study) Submit 9. Assignment-American Greetings (see Brightspace)
Class 12 UPDATED	11/27	Capital Structure and Payout Patterns: Dividends and Share Repurchases	Read: Cengage, Chapter 14 , Distributions to Shareholders: Dividends and Repurchases Read: Case Study: Dividend Policy-Four Decisions (see Brightspace site for copy of case study) Skim: Welch, Chapter 20 -Earnings, Dividends and Share Repurchases Submit: 10. Case Study Assignment—Twitter (see Brightspace)
Class 13 UPDATED	12/4	Projecting the Future: Pro Forma Financial Statements	Read: Welch, Chapter 21 -Pro Forma Financial Statements and Valuation Submit: 11. Assignment-Chapter 14-Dividends or Repurchase (see Brightspace)

Week	Date	Topic	Deliverable Due Before Class
Class 14 UPDATED	12/11	Corporate Governance	Skim: Cengage, Chapter 13, Corporate Governance, and Welch, Companion Chapter 26-Corporate Governance
FINAL EXAM AT HOME DUE, POSTED DECEMBER 13, 2023 DUE AT, OR BEFORE 11:59 PM (est) on DECEMBER 22, 2023			

Letter Grades

Letter grades for the entire course will be assigned as follows:

Letter Grade	Points
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
F	0.0 points

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.

NYU Brightspace

All announcements, resources, and assignments will be posted on the NYU Brightspace 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.

Technology Support

Students have 24/7 support to NYU’s IT services. Explore the [NYU servicelink knowledgebase](#) for troubleshooting and student guides for all NYU-supported tools (like NYU Brightspace, Zoom, etc). Contact askIT@nyu.edu or 1-212-998-3333 (24/7) for technology assistance, or you may contact [Zoom’s 24/7 technical support](#) (this includes a chat function), or Review [Zoom’s support resources](#).

Don’t forget, your peers are another source of support. You could ask a friend or classmate for help or tips.

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.

Artificial Intelligence-Chat GPT, etal.

Since this is a course where you are required both to independently calculate financial information and then make decisions about whether to invest or pursue a project, tools like Chat GPT are not likely to improve your understanding of the materials nor hone the skills you will need to succeed in this course. Nonetheless, I think it is important to note that although you are welcome to use generative AI tools to brainstorm in the early phases of an assignment (ie. to ensure you understand how to calculate an effective monthly interest rate), you are expected to produce the assignments themselves on your own. Taking credit for work you did not create is a violation of NYU's Academic Integrity policy. The assignments have been designed around tasks or outputs the tools do not perform well, and your work will be graded down, perhaps substantially, if it fails to meet those expectations **regardless of how it was created**.

Henry and Lucy Moses Center for Student Accessibility

Academic accommodations are available for students with disabilities. Please visit the [Moses Center for Student Accessibility website](#) and click the "Get Started" button. You can also call or email (212-998-4980 or mosescsa@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.

NYU's Wellness Exchange

[NYU's Wellness Exchange](#) has extensive student health and mental health resources. A private hotline (212-443-9999) is available 24/7 that connects students with a professional who can help them address day-to-day challenges as well as other health-related concerns.

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 try my hardest to answer emails within 24-48 hours, but not on weekends. I will also try to get you feedback on assignments or post an answer key within 10 days after submission. Note Wagner's [incomplete policy](#) and [course withdrawal policy](#).

As is true in the real world, unforeseen things may come up during the course of the semester for you, and for me. I hope you will be flexible and understanding in the event that we need to make changes during the semester including pivoting to zoom if needed. I thank you in advance for your understanding and I promise you will have my understanding, compassion, and flexibility.