COURSE DESCRIPTION

This course aims to enable students to understand the financial decision making practice of corporations in different circumstances and the advanced techniques required by financial managers. The course also aims to enable students to apply financial principles and theories to understanding issues and solving problems in real-world settings independently. We will examine the costs and benefits of various financing choices with an emphasis on issues related to taxation, agency problems, information problems, and managerial incentive problems. These issues will be explored in the context of a firm’s capital structure choice, payout policy, security issue choice, and mergers and acquisitions.

COURSE MATERIALS

Textbook: Corporate Finance, by Ross, Westerfield, and Jaffe, McGraw-Hill/Irwin. Note that the current version is the 10th edition, but the 8th and 9th edition should be fine as well.

Lecture Notes: The slides will be posted on the course website before each class that covers the materials.

Cases: The course covers cases that illustrate and amplify the issues we discuss in class. Three cases are chosen from Harvard Business School Cases, which are used in many of the world’s leading business schools. You can purchase directly on the website of Harvard Business School Press (https://cb.hbsp.harvard.edu/cbmp/access/32399603). This course pack provides students with an academic discount.

Case #1 – Marriott: product # 289047
Case #2 – Massey-Ferguson Ltd.--1980: product # 282043
Case #3 – Eskimo Pie Corp.: product # 293084
Case #4 –Restructuring at Nova Chemical Corporation: product # 208107

Course website: Solutions for problem sets, important class announcements, and important deadline dates will be announced on Blackboard. You are required to check the website on a regular basis.
CLASS ORGANIZATION & ADMINISTRATION

Requirements: Problem Sets: Students are required to understand financial concepts and academic theories thoroughly and apply them to find solutions. There will be two problem sets, which will be posted on the course website. This is an individual assignment, so each student should submit his/her own assignment before due dates, which will be indicated in each problem set. Solutions will be posted on the course website after the due dates.

Case Assignments:

(i) Group assignment: There will be a group assignment based on Case #4. Students are required to understand critical issues in the case and conduct an independent analysis to develop their own solutions. The assignment will be posted on the course website. You have to work on this as a group and a group should hand in one set of answers. The group members will receive the same grade for their group case assignment. Three to four students form one group. Hand in the list of your group members by email or in class by March 20th.

(ii) Individual assignments: For Cases #1, #2, and #3, each student is required to answer some brief questions on the cases. These questions will be posted on the course website and they are due before the lecture that covers the case. These questions are intended to give you an incentive to read the case in advance and to think about some of the important issues.

Exam: There will be a mid-term and a final exam. Some of the problems will require calculations, while some will be conceptual questions. This is a closed-book exam.

Class Participation

I will actively grade your participation and conduct. Students are expected to actively participate in class—not merely attend class. The grade for class participation is therefore not merely a reflection of attendance; however, attendance will be taken. A student with 3 or more absences will receive a zero for class participation. Attendance will be taken at the beginning of class. Please make sure that you put your signature (not initials) on the attendance sheet. I will not accept an argument that you were attending classes but just forget to sign it. You should not sign in for friends (please keep in mind that you will put your signature on exams as well). If you are late or leave class early several times, it will adversely affect your class participation grade.

Basically, you have 2 absences to use at your discretion. I would recommend that you save these absences for the times you really need them, such as an illness. If you have an unusual or particularly difficult situation, please be sure to submit a Rutgers Student Report of Absence and talk with me so that we can make arrangements. Without a notification for student absence report from the University, any absences will not be treated as excused absences.

For more information about the Student Self-Reporting Absences, please see [https://sims.rutgers.edu/rosters/]
**Class Etiquette**

Attentiveness to the faculty member and to fellow students is essential to fostering an engaged and dynamic classroom environment. Students should not engage in side conversations, surfing the Web, checking e-mail messages, texting, etc. as it can be a distraction for other students.

**Cell Phone Policy:**
All cell phones and such are to be turned off any put away during class.

**Laptop Policy:**
You are not permitted to use laptops or any other such item during class.

**Exam Policy:**
You should bring a calculator for the exam. The calculator cannot be a smartphone. The use of smartphones or any other device connected to the internet is STRICTLY forbidden, and such use will constitute academic dishonesty. A single 8 ½ x 11 (letter size) sheet, written on one side with formula only and with your name on it, can be used during tests and the final. These Formula sheets must be turned in with your exam. You must take your seat according to the seating plan when you take a test.

**Problem Sets Policy:**
The assignment will be collected at the beginning of class. If you are not able to attend the class on the due date for any reasons, such as an interview or a religious holiday, you should drop your completed problem set off any day prior to the due date. No credit will be given to any assignment submitted after the due date.

**Academic Honesty:**
You are responsible for being attentive to and observant of campus policies about academic honesty as stated in the University’s Student Conduct Code (http://academicintegrity.rutgers.edu/integrity.shtml). Students who plagiarize on problem sets or cheat on examinations will receive a 0.0 on the problem set/exam and fail the course.

**Make-Up Policy:**
There will NO make-up exams, except in rare situations. If a truly extreme situation arises, you “Must contact me directly” using both my e-mail address and office phone. This must be done immediately. I must agree that the reason was extreme enough to miss the exam and verification of the student’s situation will be required. Otherwise, the student will receive a grade of zero for any exams missed.

**FINAL GRADE ASSIGNMENT**
The final grade for the course will be determined as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Points</th>
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<tbody>
<tr>
<td>Class Participation</td>
<td>20</td>
</tr>
<tr>
<td>Problem sets (2* 10 points)</td>
<td>20</td>
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<tr>
<td>Assignment</td>
<td>Points</td>
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<tr>
<td>Individual case assignments (3* 5 points)</td>
<td>15 points</td>
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<tr>
<td>Group case assignments</td>
<td>20 points</td>
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<tr>
<td>Mid-term exam</td>
<td>70 points</td>
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<tr>
<td>Final exam</td>
<td>100 points</td>
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<td><strong>Total</strong></td>
<td><strong>245 points</strong></td>
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* Grades are non-negotiable. I would like to let you know that [not being able to graduate or pursue a particular major] will not be relevant for any argument regarding grade determination. Keep this notice in your mind as you plan your overall coursework strategy. I will not respond to e-mails raising these and similar arguments.

* **Extra Credit work is NOT accepted.**
Department of Finance and Economics (33:390:400)

COURSE SCHEDULE

Week 1:

Course Introduction

Cost of Capital Chapter 13

Week 2:

Marriott Case 1

Long-Term Financing Chapter 15

Week 3:

Capital Structure: Basic (part 1) Chapter 16

Week 4:

Capital Structure: Basic (part 2) Chapter 16

Week 5:

Capital Structure: Limits to the Use of Debt (part 1) Chapter 17

Week 6:

Capital Structure: Limits to the Use of Debt (part 2) Chapter 17

Review Session (Problem set #1 is due)

Week 7:

Mid-term exam

Week 8:
Massey-Ferguson Ltd.--1980 Case 2
Financing and Valuation Chapter 18

**Week 9:**
Payout Policy Chapter 19

**Week 10:**
Issuing Securities Chapter 20

**Week 11:**
Eskimo Pie Corp. Case 3
Convertibles Chapter 24

**Week 12:**
Mergers and Acquisitions Chapter 29

**Week 13:**
Nova Chemical Corp. Case 4
Course Wrap-Up

Review Session *(Problem set #2 is due)*

**Week 14:**
Final exam