

## Syllabus

### Recommended Text

Brealey and Myers, *Principles of Corporate Finance*, Sixth Edition, McGraw-Hill, 2000.

### Grading Policy

|         |     |
|---------|-----|
| Midterm | 35% |
| Final   | 65% |

### Exam Policy

The midterm and final must be taken on the scheduled dates. The *only* exceptions allowed are (1) officially sanctioned university events; and (2) unforeseen and *officially documented* illness, accident or family crisis. The midterm is scheduled for Wednesday, May 8.

### Topics

1. Calculating Present Values – chs. 2-3
2. Project Analysis – chs. 5-6
3. Capital Structure and Value – chs. 14-15, 18-19
4. Risk Adjustment – chs. 7-9, 13, 19
5. Identifying Value – chs. 10, 21



## Supplementary Readings

All readings from Brealey and Myers, *Principles of Corporate Finance*, Sixth Edition.

### 1. Calculating Present Values

Opportunity Cost of Capital – pp. 16-21

Foundations of NPV Rule – pp. 21-28

Compound Interest – pp. 43-47

### 2. Project Analysis

Alternatives to NPV – pp. 95-108

### 3. Capital Structure and Value

Overview of Corporate Financing – pp. 389-399

Earnings and Share Values – pp. 62-77

Evidence on Capital Structure – pp. 383-389

Costs of Financial Distress – pp. 510-524

### 4. Risk Adjustment

Historical Evidence on Asset Returns – pp. 154-160

Portfolio Risk – pp. 160-173

Capital Asset Pricing Model (CAPM) – pp. 195-203

Alternatives to CAPM – pp. 203-211

Measuring Betas – pp. 224-227, 237-241

### 5. Identifying Value

Sensitivity Analysis – pp. 260-275

Sequential Decisions - pp. 275-282