

Syllabus

Required Text

Brealey and Myers, *Principles of Corporate Finance*, Seventh Edition, McGraw-Hill, 2003.

Grading Policy

Midterm	30%
Final	70%

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 Friday, February 7.

Topics and Readings

1. Introduction – ch. 1
2. Calculating Present Values
 - Net Present Value – ch. 2
 - Multi-Period Horizon – ch. 3 (pp. 33-45)
 - Nominal vs. Real Discount Rates – ch. 3 (pp. 45-46)
 - Valuing Financial Assets – chs. 3 (pp. 47-49), 4 (pp. 59-65)
3. Evaluating Investment Projects
 - Analysis of Project Cash Flows - ch. 6 (pp. 119-131)
 - Capital Rationing – ch. 5 (pp. 105-109)
 - Internal Rate of Return – ch. 5 (pp. 91-105)

MIDTERM

4. Determining the Cost of Capital

- Models of Risk and Return - chs. 7 (pp. 153-160, 177-178), 8 (pp. 194-210)
- Capital Structure and Cost of Capital – chs. 14, 9 (pp. 221-238)
- Modigliani-Miller Theorem – chs. 16 (pp. 433-436, 441-447), 17 (pp. 465-475)
- Interest Tax Shields – chs. 18 (pp. 489-493), 19 (pp. 523-544)
- Optimal Capital Structure – ch. 18 (pp. 493-515)

Recommended Reading – chs. 7 (pp. 160-177), 8 (pp. 187-194), 13, 15

5. Projecting Future Cash Flows

- Simulation Analysis – ch. 10 (pp. 255-268)
- Real Options – ch. 10 (pp. 268-278)
- Forecasting Economic Rents – ch. 11 (pp. 292-303)

Recommended Reading – chs. 20-22

FINAL – COMPREHENSIVE

Practice Questions

Ch. 2 – 4, 5, 12
Ch. 3 – 1, 2, 3, 5, 7, 17, 25, 28, 30, 31, 32, 33
Ch. 4 – 4, 7

Ch. 6 – 6, 11, 12
Ch. 5 – 11, 13, 6, 7

Ch. 7 – 1
Ch. 8 – 7, 14, 15, 16
Ch. 9 – 7, 8, 9
Ch. 16 – 8, 10
Ch. 17 – 11, 12, 13, 14
Ch. 18 – 3
Ch. 19 – 1, 8, 10, 18

Ch. 10 – 1,2,3,9,12,13
Ch. 9 – 17
Ch. 11 – 7,8