

**Corporate Financial Policy**  
Lubin School of Business  
Professor Niso Abuaf [nabuaf@pace.edu](mailto:nabuaf@pace.edu)  
Spring 2015

**Course Description**

This is an advanced Corporate Finance Course. The course will cover topics such as capital structure in a perfect world and in a world with taxes, agency costs, and distress; shareholder payout policies; the decision to hedge or not to hedge within the Miller-Modigliani framework; advanced valuation; financial and real options valuation; long-term financing including raising debt and equity capital and leases; working capital management; mergers and acquisitions; corporate governance; risk management; and international corporate finance. Though the course will focus on managerial decision making within the framework of Corporate Finance and Investments Theory, we will also bring in the perspective of the Capital Markets, when necessary.

**Course Philosophy**

Corporate financial decision making within the guidance of theory, empirical evidence, market color and within the constraints of the corporation will be the guiding principles of the course.

**Course Requirements**

1. **Blackboard.** All course announcements and related materials will be posted on the class website on **Blackboard**: <http://blackboard.pace.edu>. Students are required to periodically check the class announcements and course documents on **the Blackboard**.
2. **Textbook.** The textbook for the course is: Jonathan Berk and Peter DeMarzo, **Corporate Finance**, Third Edition, Pearson Prentice Hall, 2011. **ISBN: 978-0-13-299247-3**. Please note that myfinancelab is a requirement for the course. The course id for myfinancelab is **(abuaf62543)**. Instructions on how to register for myfinancelab are listed in a separate document on the BB.
3. **Calculator.** Any financial calculator. I personally prefer and highly recommend the HP-12C. Purchasing the HP-12C will make your life considerably easier. It is mandatory that you bring your calculator to class each time. Alternatively, you could also solve the problems using excel, which I highly recommend. In fact, if you master excel a calculator will not be necessary.
4. **Attendance and Class Participation.** Regular attendance is **mandatory** and is an important requirement for successful performance in this course. You are responsible for knowing what occurs in class which may include material not covered in the readings, modifications to the syllabus and announcements concerning exams, homeworks and quizzes. You will also be expected to actively participate in classroom discussions and answer questions that are posed to you. ***I will maintain the right to downgrade your grade significantly if your class absence exceeds 15% of total class time. This statement supersedes the 10% allocation listed below. Stated differently, a good attendance track record can improve your grade at the margin; a bad attendance track record, however, can pull your grade down to an F.***
5. **Assignments.** The best way to understand the material and prepare for the exams is to do problems. I will give homework problems and later discuss them in class and post written solutions on the Blackboard. You should try to solve the problems in advance, on your own. These assignments will be graded. Please note that the problems are very useful in your preparation for the exams.

6. **Quizzes.** There will be several in class, unannounced quizzes consisting of problems similar to those covered in class and given as homework, and also covering the current events discussed in class. Students could be also asked to explain their homework solutions in class. It is not as important to have a correct solution as it is to demonstrate that you have worked on your homework.

**Grades and Grading**

Midterm Exam .....	30%
Project.....	30%
Homeworks and Quizzes.....	30%
Class Participation .....	10%

**Honor Code**

You are responsible for maintaining Pace University’s code of conduct which mandates zero tolerance for cheating and plagiarism. Violations of the code of conduct will be prosecuted with a minimum penalty of failure for the course, as required by code of conduct rules.

**Advice on how to do well in class**

Students often ask advice on how to complete this course successfully. My best answer is to follow these steps:

1. Read each assigned chapter before you come to class.
2. Participate actively in the class room (listen carefully to the lecture and ask questions to clarify points of confusion).
3. Follow the problems solved in class and demonstration problems at the end of each chapter.
4. Solve or try to solve as many assigned end-of-chapter problems as possible. This is the best way to judge your understanding of the material and to prepare for exams.
5. Become familiar with your calculator.
6. Read each chapter at least one more time after it is covered in class.
7. Follow the current financial and economic events in the media. Get engaged with what is going on in the political, economic, and financial world around you. Try to read the Wall Street Journal, the New York Times, the Financial Times, Business Week, the Economist, Barron’s, and other financial and economic publications. Try to watch Bloomberg TV, or CNBC. Try to listen to Bloomberg radio. Bring your observations and thoughts to class, discuss them with your class mates and your professor.

**Reasonable Accommodations for Students with Disabilities**

The University’s commitment to equal educational opportunities for students with disabilities includes providing reasonable accommodations for the needs of students with disabilities. To request an accommodation for a qualifying disability, a student must self-identify and register with the Coordinator of Disability Services for his or her campus. No one, including faculty, is authorized to evaluate the need and arrange for an accommodation except the Coordinator of Disability Services. Moreover, no one, including faculty, is authorized to contact the Coordinator

of Disability Services on behalf of a student. For further information, please see Information for Students with Disabilities on the University's web site.

***COURSE OUTLINE (subject to change)***

1. Capital Structure
  - a. Capital structure in a perfect market (BDMCh14)
  - b. Debt and taxes (BDMCh15)
  - c. Financial distress, managerial incentives and information (BDMCh16)
  - d. Payout policy
2. Advanced Valuation
  - a. Capital budgeting and valuation with leverage (BDMCh18)
  - b. Valuation and financial modeling; a case study (BDMCh19)
3. Options
  - a. Financial options (BDMCh20)
  - b. Option valuation (BDMCh21)
  - c. Real options (BDMCh22)
4. Long-Term Financing
  - a. Raising equity capital (BDMCh23)
  - b. Debt financing (BDMCh24)
  - c. Leasing (BDMCh25)
  - d. Hybrid securities such as convertibles (various readings)
5. Short-term financing
  - a. Working capital management (BDMCh26)
  - b. Short-term financial planning (BDMCh27)
6. Special Topics
  - a. Mergers and acquisitions (BDMCh28)
  - b. Corporate governance (BDMCh29)
  - c. Risk management (BDMCh30)
  - d. International corporate finance (BDMCh31)
    - i. To hedge or not to hedge
7. Macroeconomic Outlook and Balance Sheet Management (by Niso Abuaf)