

NEW YORK UNIVERSITY  
ROBERT F. WAGNER GRADUATE SCHOOL OF PUBLIC SERVICE

PADM-GP 2147  
Corporate Finance and Public Policy  
Fall 2012

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Office Hours: Monday 3-4pm  
Puck 3048

**COURSE DESCRIPTION**

This course will introduce students to the key topics of corporate finance and how they relate to policy issues and discussions. The course's main objectives are for students to:

1. Understand the tools used to make investment decisions.
2. Know the basic issues involved in financing decisions.
3. Learn how to value a business.
4. See how investment and financing decisions are related.

The course will emphasize the limitations we face in applying the theoretical framework of corporate finance to real world problems and the challenges of policymaking in these areas.

**PREREQUISITES**

CORE-GP.1018 Microeconomics  
CORE-GP.1021 Financial management

This course requires a working knowledge of the material learned in these prerequisite courses. Students should review their textbooks and notes from these prerequisites **before** the course begins, and refer to them throughout the course as needed.

**WEBSITE & EMAIL**

The course website is available on Blackboard (<http://classes.nyu.edu>). I will periodically post announcements and documents (journal articles, homework solutions, etc.) there. In addition, I will occasionally send announcements through Blackboard's email system, so it is important that you regularly check your NYU email account or set up appropriate email forwarding (<http://home.nyu.edu/>).

I will generally reply to email within 24 hours.

**LECTURE NOTES & TEXTBOOK**

We will use lecture notes. The lecture notes will be posted one day before lecture on Blackboard. Please bring a printed copy with you to class each session. The lecture notes include blank pages for solutions to questions we will tackle together during class. After lecture a new version of the notes with the solutions will be posted on Blackboard.

There is a textbook for this course. The lecture notes are self-contained, but you will find the textbook useful to you. The textbook is:

Brealey, R. A., S.C. Myers, and F. Allen, 2010, Principles of Corporate Finance, 9th edition, McGraw-Hill.

The lecture notes are largely based on Brealey, Myers and Allen; the corresponding chapters for each lecture note are indicated in the course schedule. The textbook can be used as background or reference for those of you who wish to dig deeper into an aspect of the material. In terms of the questions that will be asked on the exam, however, all the relevant material is contained in the lecture notes.

The textbooks are available for purchase at the NYU bookstore or online.

#### **CASE STUDIES & READINGS**

There will be a case study for the course. It is available for purchase online. A link will be provided in an email to you.

There will be outside readings most weeks. They will be posted on Blackboard. Please check Blackboard each week for additional readings.

#### **CALCULATOR**

Please bring a calculator that can handle powers ( $x^y$ ) with you to class and to exams.

#### **COURSE REQUIREMENTS**

##### Ten Problem Sets (10%):

There will be ten problem sets throughout the semester. The problem sets are intended to help you understand the course material and prepare for the exams.

The problem set schedule is in the master schedule on the last page of the syllabus. The solutions for the problem set will be posted on Blackboard after the problem set is due.

You can work alone or with other students on the problem sets. However, you need to write up your own individual solution and turn it in for credit. If you work with other students, note their names on your problem set.

Each assignment is 1.0% of your course grade. You will receive full credit for an assignment if it is 100% complete (even if the answers are not correct) and submitted on time at the beginning of class. Late assignments will not be accepted.

Class Participation (10%): There will be frequent readings from the popular press. The last 10-15 minutes of some lectures will be a class discussion of these pieces. You are expected to come to class ready to discuss the outside reading. Class Participation will be based on these discussions and on participation in the Case Study discussion.

One Case Study (15%): The case study write-up is worth 15% of your grade. The cases are intended to help you learn to apply the concepts we learn in class.

The case study solutions are due in class. The solutions for the case study will be discussed in class.

You can work alone or with other students on the case studies. However, you need to write up your own individual solution for each case and turn it in for credit. If you work with other students, note their names on your solution.

The cases will be graded on a pass/fail basis. No late case solutions will be accepted.

Two Exams (65%): There is a midterm and a final, each worth 32.5% of your grade. The final focuses on material from the second half of the course. There are no make-up exams. If you have a conflict with either of the scheduled exam dates, please do not take the course at this time.

## ACADEMIC INTEGRITY

As members of the NYU Wagner community, we are all expected to adhere to high standards of intellectual and academic integrity. Please review the academic code here: <http://wagner.nyu.edu/current/policies/index.php>.

For this particular course, there are some specific behaviors required to meet these standards of academic integrity, outlined below. Violations of these standards will automatically result in failure of the course and will be reported to the discipline committee for further action.

Homework Assignments: While I encourage students to work on the homework in groups, the final write-up of assignments must be done individually, with no sharing of written answers.

Case Study: If you choose to write-up the case as a team, all members of the team must contribute to the joint effort. There must be no free-riding.

Exams: The exams must be the sole work of the individual student.

## COURSE SCHEDULE:

The course is divided into eight lecture notes. We will need about 1-2 classes for each lecture note, depending on the length of the lecture note and the number of questions raised during class. This is a preliminary outline for the course.

Topic	Lecture Note	Book Chapter (BMA 9 <sup>th</sup> Ed.)
<b>Investment Decisions</b>		
Net Present Value	1	2.1-2.3, 3.1-3.3
Rules for Making Investment Decisions	2	6.1-6.4, 7.3
Real Options	3	11.4, 23.2-23.4
Cash Flow Analysis	4	7.1-7.2, 11.2-11.3
Cost of Capital	5	9.2-9.3, 10.1-10.3
<b>Financing</b>		
Capital Structure	6	18.1-18.4, 19.1-19.3
<b>Valuation</b>		
Valuation using DCF (WACC vs. APV)	7	20.1-20.4

Date	Lecture Note	Due
September 5	LN 1	
September 12	LN 2 first half	HW 1
September 19	LN 2 second half	HW 2
September 26	LN 3	HW 3
October 3	LN 4 first half	HW 4
October 10	LN 4 second half	HW 5
October 17	Midterm	
October 24	LN 5 first half	
October 31	CANCELLED DUE TO HURRICANE	
November 7	LN 5 second half	HW 6
November 14	LN 6 first half	HW 7
November 21	LN 6 second half	HW 8
November 28	Case Study & LN 7 first half	Case Due
December 5	LN 7 second half	HW 9
December 12	Final	

The course schedule is subject to change (please follow the announcements in class and on Blackboard). If time permits, we will also cover miscellaneous topics.