Instructor:

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Office Hours: Monday 1:30—3:00 p.m. or by appointment.

Course Description

This course continues the development of the principles of finance begun in Finance 329. The course is composed of 3 modules. First, we briefly review the concepts learned in 329 – such as time value of money, net present value rules, and the Capital Asset Pricing Model (CAPM). Second module studies issues that arise when firms make financing decisions, such as various forms of external financing, how much debt to borrow, and payout decisions. The effects of market imperfections – like taxes and informational differences between managers and investors – are crucial in many of these decisions, so our discussion of financing policy will require understanding such imperfections. The last module puts it all together and revisits investment decisions to determine how we must alter the capital budgeting rules of Finance 329 to account for market imperfections. We will also talk about special topics such as leasing, the rules of corporate governance of firms, mergers and acquisitions, and we will conclude the course with a classic case study.

Prerequisites

The prerequisites for this course are Bus-Fin 329. You will need to have a basic command of Microsoft EXCEL in order to write the case report and do some of the homework questions. You will need a calculator that has a $x^y$ function. You don’t need a financial calculator for this class.

Reading

Required

Course packet written by me.
Recommended


I have written detailed lecture notes and put together a course packet for you. It is absolutely necessary for this class. The in-class discussion will be heavily framed around this packet. I have also ordered a few copies of recommended textbooks in the bookstore for those that feel too challenged by the material.

Lecture slides, sample exams and other sporadic items will be posted on the course webpage: http://blackboard.newark.rutgers.edu

Grades

- Class Participation: 10%
- Case Report: 15%
- Exam 1: 25%
- Exam 2: 25%
- Exam 3: 25%

Class Participation/Attendance

Class participation is an important part of this class. Attendance is required. I consider such things as asking thoughtful questions, respecting your fellow classmates’ views on particular issues, contributing to a positive atmosphere in the class, and preparation for the scheduled lecture topic as class participation.

The format of this class will be dialogue between you and me. In particular, I spent every other class discussing and solving conceptual and numerical problems with you. You should always bring a calculator with you and are ready to answer questions on class.

Case and Problem Sets

The case report is *due on the last day of the class*. You are strongly encouraged to work on the case in groups of three to five people. Please inform me of your group members before *November 10, 2010*. Only one case report needs to be handed in for each group. The group members should agree on the rules of conduct beforehand. If one or more members of the group do not contribute to the case as agreed, the matter should be brought to my attention.
**week before the due date.** These members will be disqualified from forming a group with others and therefore should complete the case on their own. Note any complaints about group members within 1 week of the due date or after the due date are void.

The case report should be typed in a **12 point font, double-spaced, with at least one inch margins.** The case report should not exceed four pages (excluding spreadsheets and other supporting material). The situations in the case are naturally more complex than textbook problems, and there are no clearly correct solutions. I will provide fairly detailed guidelines for approaching the case, and I expect everybody to be able to participate in the class discussion of the case. The case is likely to be a challenge for many of you, so please start early.

I have written and included advanced problems for each topic we cover. You don’t need to hand in solutions to these problems, but solving them on your own will improve your understanding of the course material. The exam questions will be similar to those problems.

**Exams**

*Exam dates will be announced 1 week before we finish each module.* Tentatively, exams will be on October 6, November 10, and December 8. Absence from any exam will not be excused except for the most serious reasons. Such serious circumstances must be validated in writing by an appropriately accredited professional (i.e. medical doctor).

All exams will be closed book exams. Each exam covers the materials corresponding to the specific module. You will be allowed a non-programmable calculator. I will provide formula sheet.

**Regrading Policy**

All regrade requests must be made in writing within one week of the day the exams are returned. Any exam submitted for regrading of a question is subject to a complete regrade. As a result, the regraded score may increase, stay the same, or decrease. A regrade form will be available for download on the course website.

**Waitlist**

If you are not registered and seeking entry into the course, please register for the course’s waitlist. The waitlist and registration for the course is handled by the undergraduate student service center located on the third floor 1 Washington Park. Please email either Kathleen Wagner (wagnerka@newark.rutgers.edu) or Marcella Lambercht (mlambrecht@business.rutgers.edu). To be fair to all students, I will not sign any course enrollment permission forms. If you are planning to graduate this fall quarter or if you have a critical need to get into the course, please contact either Kathleen or Marcella at the address above.
Academic Integrity

The University's Code of Academic Integrity is designed to ensure that the principles of academic honesty and integrity are upheld. All students are expected to adhere to this Code. Please visit the following website for more information on the University's Code of Academic Integrity and possible sanctions: http://academicintegrity.rutgers.edu/integrity.shtml. In accordance with University Faculty Rule, all instances of academic misconduct will be reported to the Academic Integrity Review Committee which recommends appropriate sanctions to the Office of Student Conduct. There will be no exception to this rule. Case reports must be the own original work of your group. You may not use solutions prepared by current or former students. If you use information from outside sources in your case report, you must properly cite those sources (for example, additional information about a company in a case study).

Tentative Course Calendar

Module 1 (4–5 weeks)

Topics:

- Time Value of Money and Present Value
- Interest Rate
- Compare Investment Criteria: NPV VS IRR
- Four Golden Rules in NPV Calculation

Exam 1 (October 6)

Module 2 (4–5 weeks)

Topics:

- Risk and Return, Using the CAPM
- Capital Structure Theory
- Financing and Valuation: WACC and APV

Exam 2 (November 10)

Module 3 (4–5 weeks)

Topics:

- Overview of Equity Financing
- Overview of Debt Financing
- Leasing
- Other Special Topic and Case Discussion

Exam 3 (December 8)