

Fall 2019

FIN 600-101: Corporate Finance I

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**NEW JERSEY INSTITUTE OF TECHNOLOGY
MARTIN TUCHMAN SCHOOL OF MANAGEMENT**

**Corporate Finance 1
FIN 600, Section 101
Fall 2019**

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When emailing, please put "FIN 600" in the subject line.

Office Hours: Monday, Wednesday and Thursday 3:30-4:30, and by appointment

Class: 101: Monday, 6:00 – 8:50 pm, Kupfrian Hall 107

Duration: Sep 03, 2019 - Dec 20, 2019

Final Exam: Monday December 16th

Course Description: FIN 600 is the traditional first course in corporate finance for MBA students, focusing on how companies invest in real assets and how they raise the money to pay for those investments. Topics covered include the firm and the financial manager, time value of money, bonds, stocks, net present value, risk, and return, capital structure, dividends, and international finance. We will consider these topics from the point of view of the corporate financial manager, but also from the point of view of the investor, where appropriate.

Official Description: This course introduces concepts and analytical tools to identify and solve Financial Management problems. After introducing the corporation, the course focuses on how firms invest in real assets (capital budgeting) and how they raise money to pay for assets (financing). Practical problems in valuing bonds, stocks and other investments will be based on the time value of money. The trade-off between risk and return will be introduced with the Capital Asset Pricing Model.

Prerequisites: Accounting, Economics, and Statistics.

Required Materials: Textbook, calculator, and financial news awareness.

Textbook: Ross, Westerfield, Jaffe and Jordan, CORPORATE FINANCE 11TH EDITION
McGraw-Hill Irwin, ISBN: 978-0-077861759

Web site: <http://www.mheducation.com/highered/product.9780077861759.html>

The version that has been ordered by the bookstore includes a key for using McGraw-Hill's Connect Finance, which we may use for homework and quizzes. If you buy a used book or one without this key, you can still purchase access to Connect Finance online at the web site for this course, which is:

Online registration instructions

Go to the following web address and click the "register now" button.

<https://connect.mheducation.com/class/w-fox-fin-600-101-m-6-9>

is a unique address for NJIT FIN 600-101 F19

Having trouble registering?

Get help here: <http://bit.ly/StudentRegistration>

Go to this web site and click on Register Now. You can buy access there, either with or without an electronic version of the book. You can get the book on-line (and a loose-leaf printed textbook may be available for about \$40 more or buy a used book). If you have a code, you can enter it there.

Study Resources: At the textbook web site listed above, you can choose a chapter and you will find a multiple-choice quiz on topics from that chapter that you can take and then see the correct answers. At the Connect Finance homework web site listed above, you will find in the "my course resources" on the right side, a link to LearnSmart, which also provides you with a way to test yourself on a chapter in an interactive process that will give you more questions on topics with which you are having trouble. Additional Adaptive mode Practice Quizzes will be available on Moodle for anyone in addition to the above resource.

Calculator: It is required that you have a financial calculator. I prefer the HP12c, and the textbook gives examples using the TI BA II+. Other recommended models include the HP 10B, and any calculator that can compute financial values such as IRR, YTM, and NPV will work. Some general purpose and scientific calculators such as the TI-83 series have financial modes, although they operate somewhat differently from the dedicated financial calculators. We may also use Excel for some calculations. You can also find financial calculator apps for use on an iPhone or iPad or other phones or tablet computers.

Financial Publications: We will spend some time in class discussing relevant current financial news. You should regularly read at least one of the following publications (go to the library where it's free) for financial news: Wall Street Journal, New York Times business section, Financial Times, Business Week, Fortune, or the Economist, and be prepared to talk about important events in the financial world. All reading can be done electronically, and you can share interesting articles with the class on the Moodle News Forum.

Here is the link to register for the NY Times. <https://researchguides.njit.edu/nytimes>

Here is the link to the [Factiva Database](#)

Here is the link for my [Business Research Guide](#) with links to all databases.

To excel at NJIT, you are expected to be able to locate and use web and library resources effectively and to cite them correctly. [Davida Scharf](#) is the librarian who helps the students and faculty in MTSM. Contact her at scharf@njit.edu and take advantage of her expertise. For DIY help, consult the [Business Research Guide](#).

At the textbook web site listed above, under “New to This Edition” you will find a link to the authors’ blog, in which they discuss current news items of interest and reference them to the relevant chapters of the book.

Learning Goals and Outcomes:

1. Analytical and Problem-Solving Skills
 - a. Students will display an ability to apply knowledge of financial concepts to solve business problems
 - b. Students will be able to use quantitative methodologies, such as Time Value of Money, Net Present Value, the Capital Asset Pricing Model, and the Modigliani and Miller Propositions, as tools to help solve business problems.
2. Communication and Information Literacy Skills
 - a. Students will be able to explain basic concepts of financial theory in writing.
 - b. Students will know important sources that can be used to obtain relevant data for solving financial problems and how to collect data from them.
3. Ethical Reasoning
 - a. Students will be able to recognize ethical dilemmas that may occur in a financial management context and determine correct responses to these situations.
 - b. Students will learn why interpersonal trust is more important than simply relying on written regulations and laws.
4. Global Context of Business
 - a. Students will show the ability to apply knowledge of international business practices and relationships to making corporate decisions.
5. Introduction to Dynamic Modeling using Excel
 - a. Students will learn how to use Excel spreadsheets to build integrated financial models, what-if analysis, and goal seeking

Moodle: There is a Moodle site (at <http://moodle.njit.edu/>) for this course on which documents will be posted as needed. Login to Moodle using your UCID and password. All announcements, assignments, changes, etc. are posted there. The student is responsible for remaining up to date at all times. I will send e-mails to the class through Moodle. By default, Moodle uses your NJIT email address. If you do not check that regularly, you must change the address in your Moodle profile to one that you do check. There is no excuse for not having information that I send to the class in an email.

Attendance: You are expected to arrive at class on time and stay until the end. You are responsible for everything that is said in class, which may include material not covered in the readings, modifications to the syllabus, and announcements concerning exams. Attendance and class participation are included in your grade.

Classroom Conduct: Classes are for learning and you are expected to pay attention. If you are engaged in other activities, you will not learn, and you will make it harder for other students to learn. Do not have conversations with other students. If you have a question related to the class, raise your hand and ask it, so that everyone can benefit from the answer.

Electronic Devices in Class: Please do not use electronic devices in class unless the use is directly related to the work we are doing. Turn off cell phones, MP3 players, laptops, etc. Remove all earphones. If you want to use an electronic device to take notes, please let me know.

Homework: Readings from the textbook (and possibly other sources) will be assigned for each class. You should read these before class and be prepared to respond to questions in class about the readings. There will also be questions or problems from the textbook to answer. Homework will not be collected physically, although you are encouraged to upload assignments to Moodle for point credit. We will go over problems in class as needed. If you don't understand how to do a problem, you can ask me about it by email or bring your question to class.

Exams: There will be three exams, two midterms and a final. Tests given in class are closed book, but you will be allowed to bring a formula sheet. There will also be frequent shorter quizzes, which may be given in class or online using Moodle. There will be no makeups for quizzes. In computing your course grade, I will drop your lowest quiz score, so you can miss one without penalty.

Grading Policy: Final exam 30%; midterm exams 25% each; quizzes, assignments and attendance 20%. (1,000 points possible plus 50 bonus Moodle Miles – I will explain in class) If you cannot be in class the day of an exam, you must notify me in advance. Otherwise, your grade will be greatly reduced. The instructor reserves the right to modify the weighting of the grades as to be of greatest benefit of the class.

HONOR CODE regarding Academic Dishonesty

“Academic Integrity is the cornerstone of higher education and is central to the ideals of this course and the university. Cheating is strictly prohibited and devalues the degree that you are working on. As a member of the NJIT community, it is your responsibility to protect your educational investment by knowing and following the academic code of integrity policy that is found at:

<http://www5.njit.edu/policies/sites/policies/files/academic-integrity-code.pdf>

Please note that it is my professional obligation and responsibility to report any academic misconduct to the Dean of Students Office. Any student found in violation of the code by cheating, plagiarizing or using any online software inappropriately will result in disciplinary action. This may include a failing grade of F, and/or suspension or dismissal from the university. If you have any questions about the code of Academic Integrity, please contact the Dean of Students Office at dos@njit.edu”

NJIT has a zero-tolerance policy regarding cheating of any kind and student behavior that is disruptive to a learning environment. Any incidents will be immediately reported to the Dean of Students. Punishment for Honor Code violations range from a failure in the course plus disciplinary probation up to expulsion from NJIT with notations on the students’ permanent record. Avoid situations where honorable behavior could be misinterpreted. For more information on the Honor Code go to <http://www.njit.edu/academics/honorcode.php>

Disability: Students with special needs as outlined under the Americans with Disabilities Act should first register with the Counseling Center, 205 Campbell Hall 973 596-3414. Go to the web site <http://www.njit.edu/counseling/services/disabilities.php> for more information. If you wish to have a reasonable accommodation made for you in this class, please discuss the matter with me at the earliest possible time.

Changes to this Syllabus: This syllabus may change. New versions will be announced and posted on Moodle. You are responsible for knowing what is in the latest version.

Assignments are listed on Moodle.

Chapter Topics

PART I. OVERVIEW

- Chapter 1. Introduction to Corporate Finance
- Chapter 2. Financial Statements and Cash Flow
- Chapter 3. Financial Statements Analysis and Financial Models

PART II. VALUATION AND CAPITAL BUDGETING

- Chapter 4. Discounted Cash Flow Valuation
- Chapter 5. Net Present Value and Other Investment Rules
- Chapter 6. Making Capital Investment Decisions
- Chapter 7. Risk Analysis, Real Options, and Capital Budgeting
- Chapter 8. Interest Rates and Bond Valuation Chapter 9. Stock Valuation

PART III. RISK

- Chapter 10. Risk and Return: LESSONS FROM MARKET HISTORY
- Chapter 11. Return and Risk: THE CAPITAL ASSET PRICING MODEL (CAPM)
- Chapter 12. An Alternative View of Risk and Return
- Chapter 13. Risk, Cost of Capital, and Valuation

PART IV. CAPITAL STRUCTURE AND DIVIDEND POLICY

- Chapter 14. Efficient Capital Markets and Behavioral Challenges
 - Chapter 15. Long---Term Financing Planned
- END OF COURSE

ADDITIONAL CHAPTERS may be covered in other Finance Courses:

- Chapter 16. Capital Structure
- Chapter 17. Capital Structure: Limits to the use of Debt
- Chapter 18. Valuation and Capital Budgeting for the Levered Firm Chapter
- 19. Dividends and Other Payouts

PART V. LONG---TERM FINANCING

- Chapter 20. Raising Capital
- Chapter 21. Leasing

PART VI. OPTIONS, FUTURES, AND CORPORATE FINANCE

- Chapter 22. Options and Corporate Finance
- Chapter 23. Options and Corporate Finance: EXTENSIONS AND APPLICATIONS
- Chapter 24. Warrants and Convertibles
- Chapter 25. Derivatives and Hedging Risk

PART VII. SHORT---TERM FINANCE

- Chapter 26. Short---Term Finance and Planning Chapter
- 27. Cash Management
- Chapter 28. Credit and Inventory Management

PART VIII. SPECIAL TOPICS

Chapter 29. Mergers, Acquisitions, and Divestitures

Chapter 30. Financial Distress

Chapter 31. International Corporate Finance