Fall 2019

FIN 624-851: Corporate Finance II

Yan Zhao

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Syllabus

Course Information

Course Number: FIN624

Course Title: Corporate Finance II

Faculty Contact Information

Instructor: Dr. Yan Zhao

Email: yzhao@njit.edu

Office Hours: via WebEx

Course Description

This is a second course in Corporate Finance. It aims to develop an understanding of how and why financial decisions are made in a modern corporation. These decisions include what assets to invest in and how to finance those investments. The course extends the material covered in the introductory course and covers additional topics that were not included there. We will study methods for calculating the values involved in financial decisions and some of the theories behind them. The goal is to provide students with the conceptual tools necessary for valuation.

Topics Covered:

- Efficient capital markets and behavioral finance
- Capital structure and MM Theorem
- Issuing securities
- Valuation of derivatives
- Short-term finance and planning
- Mergers and acquisitions

Throughout the course, our primary viewpoint is that of a corporate financial manager; however, since corporations get funds from investors, we will often look at issues from an investor’s point of view and then examine the implications for managers.

This course is essential for anyone planning a career in finance, whether at a corporation or a financial institution, and it is recommended for all business students. This course is demanding. You need passion and time to excel.

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**Textbook and Materials**

**Required:**

- You are also strongly encouraged to read other economic and financial publications such as Financial Times, Business Week, or the Economist.

**Financial Calculator:**

A financial calculator is STRONGLY RECOMMENDED! I recommend the Texas Instrument BAII Plus financial calculator. If you have another financial calculator that you are comfortable with, you may use it. TI - BAII Plus and HP 12C are the only two calculators permitted on the CFA Exams. *It is your own responsibility to learn how to use your calculator.*

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**Course Outcomes**

a. To introduce the subject of corporate financial management
b. To identify factors that impact financial decision-making, implementation and evaluation
c. To understand how corporations raise equity and debt capital
d. To learn the basic techniques of valuing options and futures
e. To learn and understand short-term finance and planning
f. To understand mergers and acquisitions

**Learning Goal 1: Analytical & Problem Solving Skills**

- **Learning Outcome 1.1** Demonstrates knowledge of concepts in corporate finance and the ability to apply these concepts to solve financial problems, such as MM theorem
- **Learning Outcome 1.2** Ability to use quantitative methodologies, such as options pricing, as tools to help understand financial problems
Learning Goal 2: Information & Communication Skills

- **Learning Outcome 2.1** (Oral Communication) Ability to deliver effective presentations enhanced by technology
- **Learning Outcome 2.2** (Written Communication & Information Literacy) Ability to write clear and concise reports

Learning Goal 3: Reflective Thinking Skills

- **Learning Outcome 3.1** Ability to think and understand various concepts clearly

Learning Goal 4: Ethical Understanding & Reasoning Abilities

- **Learning Outcome 4.1** Understand the moral implications and ethical schema of individual (financial managers and corporate executives) and corporation decisions and actions

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**Grading Scale**

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentile</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>4</td>
<td>90-100%</td>
</tr>
<tr>
<td>B+</td>
<td>3.5</td>
<td>85-89.99%</td>
</tr>
<tr>
<td>B</td>
<td>3</td>
<td>80-84.99%</td>
</tr>
<tr>
<td>C+</td>
<td>2.5</td>
<td>70-79.99%</td>
</tr>
<tr>
<td>C</td>
<td>2</td>
<td>60-69.99%</td>
</tr>
<tr>
<td>F</td>
<td>N/A</td>
<td>&lt; 60%</td>
</tr>
</tbody>
</table>

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**Grading Categories**

<table>
<thead>
<tr>
<th>Categories</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Group Presentation</td>
<td>10%</td>
</tr>
<tr>
<td>Weekly WSJ Article Discussion</td>
<td>5%</td>
</tr>
<tr>
<td>Quizzes</td>
<td>25%</td>
</tr>
<tr>
<td>Midterm Exam #1</td>
<td>30% *</td>
</tr>
<tr>
<td>Midterm Exam #2</td>
<td>30% *</td>
</tr>
<tr>
<td>Final Exam (Cumulative)</td>
<td>30% *</td>
</tr>
</tbody>
</table>
* Your grade will be determined by the best 2 of the 3 exams (i.e. if you do really well in Midterm 1 & 2, you don’t need to take Final. If you take all 3 exams, I will use the best 2 exam scores to calculate your final grade.)

**Weekly WSJ Article Discussion (5%):**

You are required to read and discuss the selected weekly WSJ article news.

You have to post at least one response to each question, and respond to at least one of your classmates.

**Group Minicase Presentation and Discussion (10%):**

I will assign the class into 4 teams. Each team will discuss a mini-case. The team should also lead the discussion.

The video presentation should last between 3-5 minutes and have no more than 12 slides. I have uploaded a file describing how to make videos through PowerPoint. The video can be uploaded to YouTube. Alternatively, it can be uploaded directly to the Canvas site.

**Quizzes (25%)**

There will be weekly online quizzes for each module. There will be no make-up quizzes, no exceptions. Please check the due dates for quizzes and make sure you do NOT miss any quiz.

**Exams (60%)**

There will be three exams. Your grade is calculated on a best 2-out-of-3 basis. If an exam is missed – whether due to an emergency, tragedy, or simply because you are unprepared – then the remaining two test scores will be used to compute your class grade. There are no exceptions to this policy.

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**Course Structure**

<table>
<thead>
<tr>
<th>Module Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Module 1: Introduction to Behavioral Finance</td>
</tr>
<tr>
<td>Module 2: Capital Structure and MM Theorem</td>
</tr>
<tr>
<td>Module 3: Capital Structure (Cont.)</td>
</tr>
<tr>
<td>Module 4: Valuation and Capital Budgeting</td>
</tr>
<tr>
<td>Module 5: Dividends</td>
</tr>
<tr>
<td>Midterm Exam I</td>
</tr>
<tr>
<td>Module 6: Long-Term Financing</td>
</tr>
<tr>
<td>Module 7: Options I</td>
</tr>
<tr>
<td>Module 8: Options II</td>
</tr>
<tr>
<td>Module 9: Options and Applications</td>
</tr>
<tr>
<td>Module 10: Derivatives and Hedging Risks</td>
</tr>
<tr>
<td>Module 11: Short-Term Finance</td>
</tr>
</tbody>
</table>
Time Commitment

This course requires not only much reading, but also requires students to stay on top of current events in reference to the content. Students will be responsible for working with their designated groups at a time and in a manner that works for all team members. Students are also responsible for addressing all deliverables of the course. Review the Course Schedule to see what will be due in the upcoming modules.

Late Work and Make-Up Exams

Late work will not be accepted. If you have issues completing the work in the allotted time, speak to your professor at the start of the course.

Sharing Information

With respect to your answers on the problem sets, midterm exam, and final exam, no common or group answers will be accepted to any question. Further, any material from the text should not be quoted but must be paraphrased in your own words.

Student Conduct

The NJIT University code on academic integrity, found at http://www5.njit.edu/policies/sites/policies/files/academic-integrity-code.pdf, will be followed in all courses.

Student with Disabilities Codes

NJIT adheres to section 504 of the Rehabilitation Act (ADA) of 1990. Appropriate accommodations are provided at no cost to the student. If you have any questions or would like
additional information, please contact Dr. Phyllis Bolling, Center for Counseling and Psychological Services (C-CAPS), Campbell Hall, (entry level), room 205, (973) 596-3420. For further information, visit the Student Disability Services website.

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**Technical Support**

For assistance with the following items, please contact NJIT IST Helpdesk at: 1-973-596-2900 or [http://ist.njit.edu/support/helpdesk.php](http://ist.njit.edu/support/helpdesk.php)

- UCID
- Library database access
- Webmail by Google email system
- Sessions
- Password assistance*

For assistance with the following items, please contact Technical Support at: 1-888-789-0407 or [https://supportcenter.embanet.com/NJIT](https://supportcenter.embanet.com/NJIT)

- Content within this course
- Assignments
- Discussion Forums
- Quizzes
- Exams
- All other items related to the running of this course

*NJIT passwords may be changed using the [Global Password Change mechanism](https://supportcenter.embanet.com/NJIT). You will need to know your current UCID and UCID password. Questions can be referred to 1-973-596-2900.

Periodic changing of passwords and strategies for managing them are best practice for anyone using a computer. All members of the university community are encouraged to review [tips for password management](https://supportcenter.embanet.com/NJIT) and to change passwords regularly.

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**Software and Hardware Requirements**

Sometimes, you will be required to use word processing and presentation software, such as MS Word and PowerPoint found in Microsoft Office. You will also need to be comfortable with various aspects of using the Internet such as:

- Search engines
- Newsgroups
- E-mail
• Ability to download files

To view certain media elements in this course, you will need to have several browser plug-ins such as Shockwave, Flash, and Adobe Acrobat on your computer. Use the links in the course to download and install the appropriate software application. **Important**: With regards to plug-ins, ensure you are using the most recent version of each plug-in you require. View the hardware and software requirements for this course.

**Browser Check**

To test your web browser for compatibility in the Moodle environment, go to the Online Support Center page and select the "Check My Browser" link located on the right side.