

PACE UNIVERSITY

MBA 716: Corporate Finance

Cycle 13

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Course Objectives:

MBA 716 is a course that focuses on corporate finance and investment analysis concepts with the aim to prepare students for business careers in which financial knowledge is important. It covers financial statement analysis, time value of money, various classes of securities, cash flows in the capital budgeting process, capital structure, asset management and risk management. The learning goals in this course are critical thinking, decision making, and problem solving.

Course Requirements:

Textbooks:

- RWJ: Corporate Finance, 10th ed., Ross, Westerfield and Jaffe, McGraw-Hill Irwin, ISBN: 9780078034770
- BKM: Investments, 9th ed., Bodie, Kane, Marcus, McGraw-Hill Irwin, ISBN: 978-0-07-353070-3

Calculator: Any calculator with a multiple power key (y^x or x^y), a natural log key, and storage capability is sufficient for this course. A financial calculator will make your life easier. I recommend the HP-12C.

Reading Materials: *The Wall Street Journal*

Grading Weight and Distribution:

Learning Exercises	45%
Project	35%
Exam (open book and notes)	20%

Two peer evaluations are required in this module. They are not part of your final grade. The peer evaluation form is posted under Syllabus in Course Documents.

Learning Exercises:

1. Time Value of Money and Bond Valuation
 - Learning objective: how to apply the time value of money concept
2. Portfolio Management
 - Learning objectives: the tradeoff between risk and return
3. Corporate Investment Criteria
 - Learning objectives: valuing projects

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Project:

Given the current economic conditions, finding particularly attractive investments is a challenge, yet, not impossible. You are given \$100,000 and asked to build a stock portfolio using fundamental analysis. No single investment should represent more than 20% of the value of your portfolio. Stocks must be both US and international and must cover different industries; the number of stocks in your portfolio should not exceed 20. Keep the fraction of your portfolio invested in US stocks at 50% or lower.

Securities can be bought and sold during the semester, although successful strategies are those that remain in place for an extended period. Transaction costs are \$15 per trade.

Form your portfolio in the first 3 weeks of this module and track its performance for the next 6 weeks. The last week is to wrap up your presentation. E-mail me your group's portfolio **no later than November 16, 2012**.

Your overall score will be converted to a final grade as follows:

93 and above	A	77-79.9	C+
90-92.9	A-	73-76.9	C
87-89.9	B+	below 73	F
83-86.9	B		
80-82.9	B-		

Module Schedule:

Activity	Posting Date	Due Date
Learning Exercise 1	Mon, Oct 29	Mon, Nov 12
Learning Exercise 2	Mon, Nov 12	Tu, Nov 27
Learning Exercise 3	Tu, Nov 27	Tu, Dec 11
Peer Evaluation 1		Fr, Nov 30
Peer Evaluation 2		Th, Jan 3
Presentations		Fr, Jan 4
Exam		Sat, Jan 5

Online meetings:

- 1) Monday, November 5, 8:30 pm – 10:00 pm
- 2) Tuesday, November 13, 8:00 pm – 10:00 pm
- 3) Monday, November 19, 8:30 pm – 10:00 pm
- 4) Monday, December 3, 8:30 pm – 10:00 pm
- 5) Tuesday, Dec 4 , 8:00 pm – 9:00 pm - Team 2
- 6) Tuesday, Dec 4 , 9:00 pm – 10:00 pm - Team 3
- 7) Thursday, Dec 6 , 9:00 pm – 10:00 pm - Team 1
- 8) Friday, Dec 28, 7:00 pm – 8:00 pm - Team 3
- 9) Friday, Dec 28, 8:00 pm – 9:00 pm - Team 1

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10) Saturday, Dec 29, 10:00 am – 11:00 am - Team 2

Class Policies:

- Make-up exams will be given only in the case of illness, documented by a doctor.
- There are no credit projects that can be done to improve a grade.
- Silence your cell phones during class.
- Academic integrity is important. Cheating will be dealt with harshly. See the Academic Integrity Statement below.
- Late assignment submission:
 - Within two days: reduced grade
 - After two days: maximum grade 65%
 - Not handed in at all: 0

Course Website:

Course information will be posted on the course website (blackboard.pace.edu).

Advice on How To Do Well In This Class

1. Read the assigned chapters several times.
2. Go over the problems solved in class and demonstration problems at the end of each chapter.
3. Solve as many end-of-chapter problems as possible. This is the best way to judge your understanding of the material and to prepare for exams.
4. Become familiar with your calculator. **You are not allowed to use any other calculating devices during the exam.**

Academic Integrity: Educational institutions should aspire to instill in their students an appreciation for and the practice of ethical conduct. All students are required to adhere to the statement of academic integrity outlined in the Pace University catalog. Academic integrity infractions can include, but are not limited to, copying and presenting the work of another as your own, collaborating with others on assignments intended to be done individually, using unauthorized resources such as an instructor's manual to complete assignments, copying the work of others during an exam, and failing to reference the work of others or creating fake references in your assignments. You may receive a failing grade in any assignment, exam, or course in which an infraction takes place, and you may be suspended or expelled from the school. When in doubt about what might be considered an academic integrity infraction, the best course of action is to ask your instructor for clarification.

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

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

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Course Outline:

1. Discounted Cash Flow Valuation – RWJ Chapter 4
2. Bond and Stock Valuation – RWJ Chapters 8 - 9
3. Risk, Return, CAPM , and APT – RWJ Chapters 10 - 12
 - a. Mean, standard deviation, skewness, kurtosis
 - i. stock return, systematic and unsystematic risk, CAPM
 - ii. portfolio return, systematic and unsystematic risk
 - iii. risk-return frontier
 - iv. efficient portfolios
 - b. The variance-covariance matrix
 - i. The variance-covariance matrix of a portfolio's components
 - c. Regression analysis
 - i. Finding systematic risk (beta)
4. The Efficient Market Hypotheses – BKM Chapter 11
5. The Cost of Capital – RWJ Chapter 13
6. Net Present Values and Other Investment Criteria – RWJ Chapter 5
7. The Investment Environment – BKM Chapter 1
8. Asset Classes, Financial Instruments, Mutual Funds and Other Investment Companies – BKM Chapters 2 and 4
9. How Securities are Traded – BKM Chapter 3
10. Macroeconomic and Industry Analysis – BKM Chapter 17
11. Company Analysis: Financial Statements and Financial Statement Analysis - RWJ Chapters 2 – 3, BKM Chapter 19