

Syllabus

Required Text

Brealey and Myers, *Principles of Corporate Finance*, Seventh Edition, McGraw-Hill, 2003.

Grading Policy

Midterm	35%
Final	65%

Exam Policy

The midterm and final must be taken on the scheduled dates. The *only* exceptions allowed are (1) University-sponsored event or required exception; and (2) unforeseen and *officially documented* illness, accident or family crisis. The midterm is scheduled for **Thursday, Oct. 30**.

Topics and Readings

0. Introduction

- A. Course Content – ch. 1
- B. Course Policies

1. Present Value Analysis

- A. Net Present Value – ch. 2
- B. Multi-period Horizon – ch. 3 (pp. 33-40)
- C. Compounding Intervals – ch. 3 (pp. 40-45)
- D. Valuing Financial Assets – chs. 3 (pp. 47-49), 4 (pp. 59-65)

2. Evaluating Investment Projects

- A. Analysis of Project Cash Flows – ch. 6 (pp. 119-131)
- B. Capital Rationing – ch. 5 (pp. 105-109)
- C. Internal Rate of Return – ch. 5 (pp. 91-105)

3. Risk and Cost of Capital

- A. Risk and Return in the Capital Market - ch. 7 (pp. 153-160)
- B. Portfolio Risk – ch. 7 (pp. 160-178)
- C. Capital Asset Pricing Model – ch. 8

4. Capital Structure and Cost of Capital

- A. Debt and Equity Finance – ch. 14
- B. Modigliani-Miller Theorem – chs. 16 (pp. 433-436, 441-447), 17 (pp. 465-475), 9 (pp. 221-238)
- C. Interest Tax Shields – chs. 18 (pp. 489-493), 19 (pp. 523-544)
- D. Optimal Capital Structure – ch. 18 (pp. 493-515)

Recommended reading – chs. 13, 15

FINAL – COMPREHENSIVE