Stevens Institute of Technology

Howe School of Technology Management

Syllabus

**MGT 638**

# Corporate Finance

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| Semester: **2012** | Day of Week/Time: |
| Instructor Name & Contact Information:  **Eleni Gousgounis, Ph.D.**  Tel: 201-216-8567  Fax: 201-216-5385  [*eleni.gousgounis@stevens.edu*](mailto:eleni.gousgounis@stevens.edu) | Office Hours:  Class Website: |

**Overview**

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| This course serves as the second semester sequence in corporate finance. Students enrolling should have a mastery of the topics of covered in Managerial Finance (MGT 623), including time value of money, capital budgeting, risk adjusted hurdle rates, managerial accounting, and ratio analysis.  Among the topics covered in MGT 638 are: leverage on balance and sheet weighted average cost of capital; capital asset pricing model and corporate valuations; capital structure and dividend payout policy; initial public offerings and venture capital financing.  The course will be taught as a combination of lectures, case studies and problem sets.  *Prerequisite: Financial Management MGT 623* |

**Learning Goals**

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| After taking this course, the student will be able to:   1. Manage cash flows within their firm to avoid creditor action and insolvency. 2. Analyze the costs and benefits of a firm issuing debt and equity securities, in both the public and private markets. 3. Analyze leverage on the balance sheet and determine how and when a firm should be recapitalized. 4. Assess companies as acquisition targets and structure an optimal offer, using both debt and equity instruments. 5. Calculate changes in shareholder value in various transactional settings. 6. Have a broad understanding of the channels for raising capital in the equity market. |

**Pedagogy**

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| Classes will consist of lectures and discussion. Part of the course emphasizes the case method, which requires active student participation and debate. In many cases, the information provided will be sufficiently ambiguous that there is no “right” answer. Just as in the real world, students will be expected to weigh costs and benefits based on uncertain or imperfect information. Problem solving is developed in a collaborative setting. |

**Required Text(s)**

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| Brigham and Ehrhardt, Financial Management, Theory and Practice, South-Western  Cengage Learning – 13th edition. |

**Required Readings (Harvard Business School Cases and Notes)**

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| Cases  Case 1: Ocean Carriers by Erik Stafford, Angela Chao and Kathleen S. Luchs.  Case 2: Marriot Corp.(Abridged): The cost of capital by Richard S. Ruback.  Case 3: Blaine Kitchenware, Inc: Capital Structure by Timothy A. Luehrman & Joel Heilprin. |

**Assignments**

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| The course will emphasize class discussion and the analysis of the assigned readings.  You will be asked to complete 3 homework assignments/quizzes.  You will also have to prepare a report for every case study, which will be a group assignment. Every group will also have to present one case.  To enhance the learning experience, all students are expected to participate in class discussion and the in-class team exercises. Attendance in class sessions is an important component of this grade.  The assignment and their weights are shown below: | |
| **Assignment** | **Grade Percent** |
| 3 Quizzes @10% each | 30% |
| Cases Reports & Presentation | 35% |
| Final Exam | 30% |
| Participation | 5% |
| **Total Grade** | **100%** |

# Ethical Conduct

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| The following statement is printed in the Stevens Graduate Catalog and applies to all students taking Stevens courses, on and off campus.  “Cheating during in-class tests or take-home examinations or homework is, of course, illegal and immoral. A Graduate Academic Evaluation Board exists to investigate academic improprieties, conduct hearings, and determine any necessary actions. The term ‘academic impropriety’ is meant to include, but is not limited to, cheating on homework, during in-class or take home examinations and plagiarism.“  Consequences of academic impropriety are severe, ranging from receiving an “F” in a course, to a warning from the Dean of the Graduate School, which becomes a part of the permanent student record, to expulsion.  *Reference: The Graduate Student Handbook, Academic Year 2003-2004 Stevens*  *Institute of Technology, page 10.*  Consistent with the above statements, all homework exercises, tests and exams that are designated as individual assignments MUST contain the following signed statement before they can be accepted for grading. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  I pledge on my honor that I have not given or received any unauthorized assistance on this assignment/examination. I further pledge that I have not copied any material from a book, article, the Internet or any other source except where I have expressly cited the source.  Signature \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_  Please note that assignments in this class may be submitted to [www.turnitin.com](http://www.turnitin.com), a web-based anti-plagiarism system, for an evaluation of their originality. |

**Course Schedule**

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| **Week** | **Topic Covered** | **Chapters** | **Assignments** |
| 1 | Overview  Cost of Capital | Chapter 9 | Homework problems  (Cost of Capital) |
| 2 | Capital Budgeting | Chapter 10  Chapter 11 | Homework Problems (Capital Budgeting) |
| 3 | Capital Budgeting  Case Presentation | Chapter 11 | Case: Ocean Carriers |
| 4 | Corporate Valuation | Chapter 13 |  |
| 5 | Case Presentation  Capital Structure | Chapter 14 | Case: Marriot Corp |
| 6 | Capital Structure | Chapter 14,  Chapter 15 | Homework Problems  (Capital Structure) |
| 7 | Capital Structure | Chapter 15,  Chapter 26 | Homework Problems  (Capital Structure) |
| 8 | Capital Structure  Case Presentation | Chapter 26 | Case: Blaine Kitchenware |
| 9 | Midterm Exam |  |  |
| 10 | Dividend Policy | Chapter 14 | Homework Problems  (Dividend Policy) |
| 11 | Dividend Policy | Chapter 14 |  |
| 12 | Working Capital | Chapter 16 | Homework Problems  (Working Capital) |
| 13 | Special Topics: Mergers & Acquisitions, Venture Capital, Real Options | Chapter 21  Chapter 25 |  |
| 14 | Special Topics: M&A, Venture Capital, Real Options | Chapters 21, 25 |  |
| 15 | Final Exam |  |  |