Fin 600-101 – Corporate Finance I

1. Basic Information:
   Instructor: Zhipeng Yan, Ph.D., CFA., FRM.
   Office: Central Avenue Building 4012
   E-Mail: yanzp@yahoo.com, zyan@njit.edu
   Class Timings: Thursday, 6-9:05 PM
   Class Location: KUPF107
   Office Hours: Thursdays, 2:30 – 5:30PM and by appointment

2. Prerequisites:

   You should have a working knowledge of basic algebra and statistics and feel comfortable doing quantitative exercises. Because this course involves number crunching, you should be familiar with some sort of spreadsheet software, e.g. Microsoft Excel. Some knowledge of accounting, micro and macroeconomics would be helpful.

3. Course Materials:

   Required:
   - Stephen Ross, Randolph Westerfield, and Jeffrey Jaffe, Corporate Finance (10th edition), McGraw-Hill. (9th Edition is also acceptable. But you need to match chapters in two editions).
   - Subscription to one of: Wall Street Journal, Financial Times.

   Additional materials will be handed out or posted on Moodle during the semester.

   Course Website:

   Please go to moodle.njit.edu. The Moodle site is where course materials are posted and where you discuss cases and investment ideas with your group members. Make sure you have an NJIT UCID and password so that you are able to access Moodle. I will use Moodle to post announcements, and supplemental materials throughout the semester. So, please be sure to check the site (moodle.njit.edu) frequently. Please contact helpdesk (973-596-2900) for problems associated with Moodle.

   Financial Calculator:

   A financial calculator is a MUST! I recommend the Texas Instrument BAII Plus financial calculator. If you have another financial calculator that you are comfortable with, you may use it. However, I will use the TI BAII Plus for in-class examples. TI - BA II 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.* – Must bring to 3rd class and subsequent classes.

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### 4. Course Description:

Fin 600 is the traditional first course in corporation finance common to MBA programs. This course provides a rigorous introduction to the fundamentals of corporate finance. The course will cover the theory and application of capital budgeting techniques and financing choices of firms. The goal is to provide students with the conceptual tools necessary for valuation.

**Topics Covered:**

- Introduction to financial markets;
- The time-value of money and net present value rule (NPV);
- Valuation of securities and investments;
- Risk and expected return;
- Capital budgeting;
- Capital structure;

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. Asking me questions anytime either in class or through emails.

**Course Objectives:**

- To introduce the functions of financial markets and institutions and their roles in the economy.
- To understand time-value of money and know how to discount future cash flows.
- To identify factors that impact systematic risks.
- To understand the trade-off between risk and return.
- To introduce various techniques of evaluating capital budgeting projects.
- To understand the impact of capital structure on the firm’s value.

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### 5. Learning Goals & Learning Outcomes:

**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 NPV rule and CAPM.

• **Learning Outcome 1.2** - Ability to use quantitative methodologies, such as Dividend Discount Model, 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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6. **Course Requirements:**

**Attendance/Participation (6%):**

Reflects quality and quantity of participation in class. Includes attending and starting/leaving class on-time; actively contributing to activities; demonstrated knowledge/understanding of assigned materials; and leadership and problem-solving. Students are expected to behave professionally and politely to each other and to the faculty member.

Attendance begins the first day of class. A student will be marked absent if she/he comes late and does not remain in class for the entire class period, unless prior arrangements have been made with the instructor. Absenteeism cannot exceed 2 times without suffering substantial penalty. The penalty for exceeding the allowed number of absences during the semester is 2% deducted from the 6% allocated for attendance for each absence (i.e. the 5th absence will deplete all 6% allocated for attendance). An excused absence does not exclude you from being marked absent.

I may ask you to sign an attendance sheet at the very beginning of, or during the middle of, or at the end of a class. If you come in late or leave early and do not sign the
attendance sheet, I deem that you do not attend the class on that day. It is strictly forbidden to sign for your classmates.

**Contest in virtual stock exchange (9 points)**

Each team (3-4 students) will be given $100,000 virtual money at the beginning of the semester. The team members are assigned by me (via random numbers). The teams with the 3 largest portfolio values at the end of the game will be rewarded bonus points of 3 (1\(^{st}\) place), 2 (2\(^{nd}\) Place), and 1 (3\(^{rd}\) Place) respectively.

**Written Report**

Each team needs to write 1 research report. The report should explain why you buy and/or sell and/or short the stocks or do nothing. Reports are due strictly **before** class on Dec 8\(^{th}\). Late submissions will be marked down, no exceptions. The report should be in hard copies and at most 4 pages, including worksheets, exhibits and references.

**In-class presentation**

Each team needs to make a formal presentation on their VSE investments in class on Dec 8\(^{th}\). Each team has 15 minutes.

**Online Financial News Presentations and Discussion (5 points)**

Starting from the 2\(^{nd}\) week, one team will present on Moodle major financial news and events that happened during the past week (at least 5 different events). The team should also lead the discussion.

**Quizzes (20 points)**

There will be in-class quizzes and online quizzes via the course Moodle site. Quizzes will be announced via Moodle. You are responsible to obtain this information. Please check the course site frequently. **There will be no make-up quizzes, no exceptions.**

**Exams (60 points)**

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.** They are closed-book/closed notes. Be advised that some assigned reading materials will not be covered in the class but will show up in the tests. Anything covered in class and in the assigned reading materials is fair game.

**Grading**

Your overall grade for the course is calculated as follows.

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Attendance and Class Participation</td>
<td>6%</td>
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<tr>
<td>VSE report, and in-class presentation</td>
<td>9%</td>
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</tbody>
</table>
Online current financial news presentation and discussion 5%
Quizzes 20%
Exam #1 30%
Exam #2 30%
Final Exam (Cumulative) 30%
*Your grade will be determined by the best 2 of the 3 exams, the quizzes/homework, VSE report/news presentation and the attendance.*

The final course grade will be assigned as follows:
A 90 – 100%     B+ 85 – 89.99%
B 80 – 84.99%    C+ 70 – 79.99%
C 60 – 69.99%    F below 60%
*Your total scores may be curved at the discretion of the instructor.*

7. **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 address [http://www.njit.edu/publicinfo/pdf/counseling_ada2004.pdf](http://www.njit.edu/publicinfo/pdf/counseling_ada2004.pdf) 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.*

8. **Academic Honesty:**

*You are expected to be honest in all of your academic work. Instances of alleged dishonesty will be forwarded to the Dean of Students for appropriate action. Potential sanctions include failure in the course and suspension from the University.*

9. **Important Remarks:**

- Make up exams or quizzes will not be given.
- You are responsible for all the materials covered and announcements made in class. (Check with classmates if you must miss a class.)
- If you discover an error in your scores of quizzes or exams, you should contact me within **one week** from the time it is returned to you; otherwise the original grade will stand.
- **Please always use “Fin600-101: xxx” as your subject when sending me e-mails.**
- Sharing calculators during exams or quizzes is not allowed.
- No communication device such as cell phone, PDA, IPAD, etc. may be used as a calculator.
- No cell phone during the class.
10. Ways to Get Bonus Points:

- Do better in the virtual stock exchange contest as a group (1-3 points).
- Get Bloomberg Certification (1-4 points: the Core and one or more Market Sector: Equity, Fixed Income, FX, and Commodity).

Schedule of Lectures (subject to revision)

<table>
<thead>
<tr>
<th>Tentative Date</th>
<th>Chapters and Topics</th>
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<tbody>
<tr>
<td></td>
<td>Chapter 1: Introduction to corporate finance</td>
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<td>Chapter 4: Discounted Cash Flow Valuation</td>
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<td>Chapter 8: Interest rates and Bond Valuation</td>
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<td>Chapter 9: Stock Valuation</td>
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<td>Chapter 5: Net Present Value and Other Investment Rules</td>
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<td>10/20</td>
<td>Exam I (Chapters 1, 4, 8, 9, 5 + financial crisis)</td>
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<td>Chapter 6: Making Capital Investment Decisions</td>
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<td>Chapter 10: Risk and Return</td>
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<td>Chapter 11: Return and Risk</td>
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<td>Chapter 13: Risk, Cost of Capital, and Valuation</td>
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<td>*Chapter 14: Efficient Capital Markets and Behavioral Challenges</td>
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<tr>
<td>12/1</td>
<td>Exam II (Chapters 6, 10, 11, 13, *14)</td>
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<td>12/8</td>
<td>VSE presentation and VSE written report Due</td>
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<tr>
<td></td>
<td>Final Exam (Cumulative)</td>
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*if time allows

Disclaimer: The course outline may be modified at the discretion of the instructor or in the event of extenuating circumstances. Students will be notified in advance of any change. You are responsible for obtaining this information if you must miss a class.

1 You may find more info at [http://fsl.lehigh.edu/sites/fsl.lehigh.edu/files/Bloomberg_Certification.pdf](http://fsl.lehigh.edu/sites/fsl.lehigh.edu/files/Bloomberg_Certification.pdf).