

The Peter F. Drucker and Masatoshi Ito Graduate School of Management

**Claremont Graduate University
MGT 335: Corporate Finance**

Fall 2007

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Class Times:

Tuesday 1:00 - 3:50 pm

Tuesday 7:00 – 9:50 pm

Classroom:

Office Hours: To be determined

Teaching Assistant:

Required Text:

- 1) **Principles of Corporate Finance, 8th** Edition,
Richard Bealey, Stewart Myers, and Franklin
Allen, McGraw-Hill
- 2) 2) Financial Calculator: Texas Instruments BA II
Plus (If you already have one, don't buy a new
one, bring the one you already have)

Course Prerequisites:

MGT 306 Quantitative Methods for Business MGT 326 Financial Accounting

Course Objectives:

The goal of this course is to familiarize you with the tools and techniques used in financial management. Throughout the course we will examine how companies make investment decisions and how they raise the funds needed to finance their investments. The course will start with an introduction to finance. We will then study valuation. We will learn how to value stocks and bonds. We will use the valuation techniques to make investment selection decisions. Next, we will look at the concept of risk. We will learn about the risk-return trade-off and how risk affects corporate investment decisions. We will then study corporate financial policies, including the choice of capital structure and dividend policy. Finally, we will learn about options and their valuation.

Evaluation and Policies:

Your final grade will be determined as follows:

Homework 20 %

Midterm I 25 %

Midterm II 25 %

Final 30 %

You will receive a set of homework questions for each chapter covered in class. You are required to

work on them *individually* and hand them in at the due date. No late homeworks will be accepted. In addition, you are expected to read the assigned material before coming to class. This will help you understand the chapter better and get ready for the class discussion.

We will have two midterm exams and a final exam in this course. If you miss a midterm exam due to an officially documented reason that is approved by the University, the missed exam will be added to the final, making the final exam's weight 55%. In all other cases where you miss an exam without a documented and approved excuse, you will receive a zero for that exam. The exams will consist of multiple choice questions and problems. We will go over the exam procedures before the first exam. All exams will be graded carefully and fairly. However, in the event that you think there is an error in grading, you will have one week to dispute your grade. After that, all grades become final. Any dispute needs to be in writing. There will be no exceptions to any of the rules governing the exams. I expect to have about 40% of the class to be in the A range (A+, A, A-) and about 45% to place in the B range (B+, B, B-).

Finally, a word about academic honesty. I strongly believe that all of you are honest students. The worst thing you can do is to disappoint me in this regard. While I do not expect to see any such action, dishonesty will be punished to the maximum extent, starting with an F for the course grade.

Course Structure:

As you can see from the following course outline, we will closely follow the outline of the text. You are required to read the assigned chapters and do the homework before coming to class. It is my belief that we all learn much faster when we interact. In order to get the most out of the lectures, you need to ask questions when there is something unclear about the presented/assigned material. The more class discussions we have, the easier it will be to understand and remember the material.

Course Outline

Part I: Value

- Chapter 1: Finance and the Financial Manager
- Chapter 2: Present Values, the Objectives of the Firm, and Corporate Governance
- Chapter 3: How to Calculate Present Values
- Chapter 4: The Value of Bonds and Common Stocks
- Chapter 5: Why Net Present Value Leads to Better Investment Decisions
- Chapter 6: Making Investment Decisions with the Net Present Value Rule

Part II: Risk

- Chapter 7: Introduction to Risk, Return, and the Opportunity Cost of Capital
- Chapter 8: Risk and Return
- Chapter 9: Capital Budgeting and Risk

Part III: Financing Decisions and Market Efficiency

- Chapter 13: Corporate Financing and the Six Lessons of Market Efficiency
- Chapter 14: An Overview of Corporate Financing
- Chapter 15: How Corporations Issue Securities

Part IV: Payout Policy and Capital Structure

- Chapter 16: Payout Policy
- Chapter 17: Does Debt Policy Matter?

- Chapter 18: How Much Should a Firm Borrow?
- Chapter 19: Financing and Valuation

Part V: Special Topics: Options

- Chapter 20: Understanding Options
- Chapter 21: Valuing Options