Fordham University (London Programme)

Course: Corporate Financial Policy FNBU 3440  |  Semester: Spring 2017

Professor: Dr Vera Krahmal  
Day/Time/Room: Mondays 13.00 – 16.00 Room:  
Office Hours: Mondays 16.00-17.00  
Contact: VKrahmal@fordham.edu

About the Professor:
Dr Krahmal is an adjunct Professor in Accounting at Fordam University Gabelli School of Business and she is also a Lecturer in Accounting at the Open University, UK. Dr Krahmal is an active academic whose research interests lie in corporate finance, governance, accounting and management accounting.

Course Description:
This course is a second course, after 3221, Financial Management. 3221 focused on basic techniques for understanding risk, return, time value of money, and stock and bond pricing. In Corporate Financial Policy, several more advanced topics are covered, including capital budgeting, capital structure decision, management of working capital, dividend policy decisions, and accounting based financial analysis.

Learning Objectives:
Upon completion of this course, students should be able to:
- Demonstrate an ability to adapt the discounted cash flows approach to handle corporate financial decisions.
- Develop deeper understanding of three major financial decisions - capital budgeting, capital structure and working capital decisions.
- Demonstrate basic understanding of how corporations raise capital and what factors affect corporate dividend policy.

Course Text:

You will need a financial calculator. If you already own a financial calculator it will most likely be quite satisfactory.
Note: Apps for the iPhone and iPod Touch, Samsung are NOT PERMITTED for exams.

Breakdown of Grade:

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Percent of Course Grade</th>
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</thead>
<tbody>
<tr>
<td>1. Exam 1</td>
<td>25%</td>
</tr>
<tr>
<td>2. Exam 2</td>
<td>30%</td>
</tr>
<tr>
<td>3. Final Project</td>
<td>35%</td>
</tr>
<tr>
<td>4. Homework/Quizzes and participation</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Participation Grade Policy:**
Attendance will be taken daily. Attendance only pays off when you participate in the class. This means: you have prepared for the class before you come, you sit in the classroom with an interest in learning, and you ask questions and respond to questions asked in class. If you are ill or have a family emergency, please obtain all missed materials from a classmate. To get full score for attendance and class participation, you must (1) not violate the group work policy and attendance policy described later in the syllabus, and (2) not violate the following technology and media policy:

*Laptops, netbooks, tablets, and phones are not recommended in class, since you have hardcopies of handouts to take notes and solve problems. Calculators are allowed in class. Usage of laptops or phones is not allowed during exams. Surfing internet, texting, tweeting, facebooking, IM-ing, playing games, or any other similar activity, are very distracting, not only for you, but for those sitting around you. Please practice professional and courteous deportment.*

**Late Work Policy:**

1. **Exams/Assessment**
The final grade will be based on two closed-book exams, a final project, in-class participation, homework assignments and/or closed-book conceptual quizzes. You are only allowed to bring a single, two-sided page of notes to each exam. A financial calculator is also required for the exams. Except for a verifiable family or medical emergency, there will be no make-up for any exams.

My general exam philosophy is that there will be a few surprises about the questions you get on the test, but to not allow an excessive amount of time to think about how to approach each problem. This helps to ensure that the students who study the most get the best grades. Students who do not put serious study time will probably be pressed for time in my tests.

There will be several homework assignments and/or quizzes throughout the semester. I will regularly list suggested problems that you should work out, and also provide solutions. You are responsible for doing them, and I will go over many of them in class. The only way to do well on tests is to practice. Answers for most practice problems will be distributed.

A student missing an exam will be given a grade of 0 on that exam except if there is an approved excused absence. A student must notify me of the approved excused absence prior to the exam (or if not humanly possible, shortly after the exam). Failure to notify me of the emergency condition in a timely manner will automatically result in a grade of 0. If an excused absence arises
and notification is given in a very timely manner, then I will use my discretion in how a grade will derived including the possibility of a make-up exam.

Final Project
This project will provide an opportunity to get some hands-on experience applying corporate finance theory and models to real firms. In the process, you will get a chance to:
- Evaluate the risk profile of a firm;
- Analyze a firm’s capital structure and decide whether the firm is under or over-leveraged;
- Examine the firm’s dividend policy; and
- Value the firm.

Each group will have 3 individuals in it. Each group will choose a publicly traded company to analyze. At end of the semester, the group will submit a written report and will present all work and analysis in front of the class.

Group Work Policy:
Each student is expected to coordinate, cooperate and contribute to all group work. If a student chooses to not actively participate and/or delay the progress of their group, the participation grade may be impacted as well as the grade on the deliverable submitted by the group.

Course Policies: Student Expectations

Integrated Core Attendance Policy:
Students are expected to attend every class. Absences will be excused only if they are due to a religious holiday, serious illness, death in the student's immediate family, or required participation in a university-sponsored event. All requests to have an absence excused must be processed through sophomore class dean who will notify your instructors. Such requests must be made in writing within one week of an absence. Once an absence is excused, if an exam has been missed then I will use my discretion in how a grade will derived including the possibility of a make-up exam.

Absences due to any other reasons than those listed above will be considered unexcused. Each student can have one unexcused absence from an integrated core course without effect on your grade. For each additional unexcused absence, a student’s participation grade will be reduced by half a point.

Students are expected to arrive to class on time and are expected to remain in the classroom for the full time period. Students arriving late or leaving the room at times prior to the end of class will be considered late for that class and it will impact their participation grade.

Special Accommodations:

It is recognised that some students may need special accommodations. These should be bought to the attention of the Programme Director at the commencement of the semester.
The Course Schedule below shows the subjects that will be covered in each class. Homework will be provided after each class; you must submit solutions to homework before due date.

<table>
<thead>
<tr>
<th>Class</th>
<th>Date</th>
<th>Class Topics</th>
<th>After Class Homework</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>16 Jan</td>
<td><strong>Chapter 1 Introduction to Corporate Finance</strong>&lt;br&gt;Corporate Finance &amp; the Financial Manager&lt;br&gt;Forms of Business Organization&lt;br&gt;The Goal of Financial Management&lt;br&gt;The Agency Problem and Control of the Corporation&lt;br&gt;Financial Markets and the Corporation</td>
<td>1.1 1.2 1.3 1.4 1.5</td>
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<td>2</td>
<td>23 Jan</td>
<td><strong>Chapter 2 Financial Statements, Taxes and Cash Flow</strong>&lt;br&gt;The Balance Sheet&lt;br&gt;The Income Statement&lt;br&gt;Taxes&lt;br&gt;Cash Flow</td>
<td>2.1 2.2 2.3 2.3 2.4</td>
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<td>3</td>
<td>30 Jan</td>
<td><strong>Chapter 3 Working with Financial Statements</strong>&lt;br&gt;Ratio Analysis&lt;br&gt;The DuPont Identity&lt;br&gt;Using Financial Statement Information</td>
<td>3.1 3.2 3.3</td>
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<td>5</td>
<td>13 Feb</td>
<td><strong>Chapter 15 Raising Capital</strong>&lt;br&gt;Guest Lecture – Raising Capital: Manchester Football Club&lt;br&gt;The Financing Life Cycle of a Firm&lt;br&gt;Selling Securities to Public&lt;br&gt;Alternative Issues Methods&lt;br&gt;Underwrites&lt;br&gt;IPOs and Underpricing&lt;br&gt;New Equity Sales and the Value of the Firm&lt;br&gt;The Cost of Issuing Securities&lt;br&gt;Rights&lt;br&gt;Dilution&lt;br&gt;Issuing Long-term Debt&lt;br&gt;Shelf Registration</td>
<td>15.1 15.2 15.3 15.4 15.5 15.6 15.7 15.8 15.9 15.10 15.11</td>
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<td>6</td>
<td>20 Feb</td>
<td><strong>Chapter 17 Dividends and Payout Policy</strong>&lt;br&gt;Cash Dividends and Dividend Payment&lt;br&gt;Does Dividend Policy Matter?&lt;br&gt;Real-World Factors Favoring a Low Dividend Payout&lt;br&gt;Real-World Factors Favoring a High Dividend Payout&lt;br&gt;A Resolution of Real-World Factors?</td>
<td>17.1 17.2 17.3 17.4 17.5</td>
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<td>Date</td>
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<td>Topic</td>
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| 7    | 27 Feb | Exam 1  
CH 3, 10, 15, 17 |
| 8    | 13 Mar | **Chapter 8 Stock Valuations**  
Common Stock Valuation 8.1  
Some Features of Common and Preferred Stock 8.2  
The Stock Markets 8.3 |
| 9    | 20 Mar | **Chapter 13 Return, Risk and the Security Market Line**  
Expected Returns and Variances 13.1  
Portfolios 13.2  
Announcements, Surprises and Expected Returns 13.3  
Risk: Systematic and Unsystematic 13.4  
Diversification and Portfolio Risk 13.5  
Systematic Risk and Beta 13.6  
The Security Market Line 13.7 |
| 10   | 27 Mar | **Chapter 14 The Cost of Capital**  
The Cost of Capital: Some Preliminaries 14.1  
The Cost of Equity 14.2  
The Cost of Debt and Preferred Stock 14.3  
The Weighted Average Cost of Capital 14.4  
Divisional and Project Costs of Capital 14.5  
Floatation Cost and the Weighted Average Cost of Capital 14.6 |
| 11   | 3 Apr  | **Chapter 16 Financial Leverage and Capital Structure Policy**  
The Capital Structure Question 16.1  
The Effect of Financial Leverage 16.2  
Capital Structure and the Cost of Equity Capital 16.3  
M&M Propositions I and II with Corporate Taxes 16.4  
Optimal Capital Structure 16.6  
The Pecking-Order Theory 16.7  
Observed Capital Structures 16.8  
Bankruptcy Process 16.9 |
| 12   | 10 Apr | **Chapter 21 International Corporate Finance**  
LSE Visit  
Terminology 21.1  
Foreign Exchange Markets and Exchange Rates 21.2  
Purchasing Power Parity 21.3  
International Fisher Effect 21.4  
International Capital Budgeting 21.5 |
| 13   | 24 Apr | **Final Project Group Presentation**  
Project Deadline |
| 14   | TBC   | **Exam 2**  
CH 8,13,14, 16, 21 |