****

**FINA 7A10 Intermediate Corporate Finance**

**Prof. Nisan Langberg (email: nlangberg@uh.edu)**

**Syllabus**

**Course Description**

This course offers a theoretical analysis of the decisions faced by corporate financial officers. In particular, both investment decisions (“capital budgeting”) and financial decisions (e.g., how to raise funds and how much to repay investors) are explored. My goal is that at the end of this course students will be able to apply state of the art valuation techniques to investment and financing decisions. Students will evaluate investment projects while taking into account the uncertainty in future cash flows, tax consequences (such as the interest tax shield), and the capital structure (or financing) strategy of the firm deploying the project.

**Course Outline**

A tentative time-line is provided below. The actual material covered in class might change, homework due-dates might shift, and the course might not eventually cover all the material intended due to time constraints.

|  |  |
| --- | --- |
| Week | Topic covered and assignments |
| August 29 | Introduction  Financial statements (chapter 2)  Capital budgeting (chapter 7) |
| September 5 | Capital Budgeting (chapter 7)  Capital Structure in Perfect Capital Markets (chapter 14) |
| September 12 | Practice questions chapter 7 due  Capital Structure in Perfect Capital Markets (chapter 14) |
| September 19 | Practice questions chapter 14 due  Debt and taxes (Ch. 15) |
| September 26 | Practice questions chapter 15 due  Valuation with Leverage (chapter 18) |
| October 3 | Review of homework problems and solutions (with Teaching Assistant) |
| October 10 | American Chemical HBS Case due (students will present their work) |
| Tentative  October 12 | Possible make up class |
| FINAL EXAM | Please check schedule |

**Course Web Site**

Material will be posted on line. Students are encouraged to visit the class web site – specific URL will be provided in class. On the class web site students can find lecture notes beforehand – I recommend that students printout the class notes before they come to class each week. Also, handouts, announcements, and other class materials will be posted throughout the semester.

**Textbook**

The textbook for the course is

**Corporate Finance** by Jonathan Berk and Peter DeMarzo, Pearson, 2nd or 3rd edition

Another excellent textbook is

Principles of Corporate Finance by Richard Brealey, Stewart Myers, and Franklin Allen, McGraw-Hill, 9th edition or higher

Most of the material covered in class can be found in the textbook. The textbook also contains numerous real life examples, exercise problems and additional topics in finance that we will not cover in this course but this is covered in the more advanced courses in finance. Students might find the book useful for better understanding the material covered in class but also for in-depth coverage of other related topics. The textbook is a good investment for all students that seek to work in the area of finance and have an interest in corporate finance. I have asked for the textbook to be reserved in the library.

**Homework**

Homework assignments are designed to practice the concepts that are covered in the lectures and in the readings. They also offer a chance for students to apply new concepts to more complicated situations than are appropriate for the lectures. It is recommended to work on the homework assignments in groups (of at most four people). Remember to visit the class web page to be current on the due dates.

Homework is due in class (hard copy). Late homework will not be accepted. If you are unable to attend class, you can submit homework via email any time prior to the beginning of class or you can leave it in my mailbox located near my office.

**Cases**

One case will be covered in class. Students can work on the case in groups of up to 4 students.

American Chemical Corp., by William E. Fruhan, and John P. Goldsberry, 1980

<http://hbr.org/product/american-chemical-corp/an/280102-PDF-ENG>

\*\* (if time permits)\*\* Whirlpool Europe, by Richard S. Ruback, Sudhakar Balachandran, and Aldo Sesia 2001

<http://hbr.org/product/whirlpool-europe/an/202017-PDF-ENG>

**Office Hours**

Office hours will be held upon appointment. Students are of course welcome to approach me at the end of the class for clarifications or to discuss any other class related issues. If you have questions on the material covered in class, I encourage you to send me an email rather than waiting till the next class meeting in order to allow faster feedback.

**Grades**

The course grade will be based on homework assignments, cases and the final exam.

**Required knowledge**

Prior knowledge of basic financial concepts or methodologies is not required. Knowledge of spreadsheet software (like Excel) will come in extremely handy.

**Accessibility Statement**

The University of Houston would like to help students who have disabilities achieve their highest potential. To receive academic accommodations, students shall register with the Center for Students with Disabilities (CSD) (telephone 713-743-5400).

**Academic Honesty**

Students are expected to follow the University of Houston’s Academic Honesty Policy. While I encourage students in my class to work in groups on homework assignments, I consider it a violation of academic honesty to sign one’s name to an assignment if others completed the assignment substantially.