

**THE HELLER SCHOOL FOR SOCIAL POLICY AND MANAGEMENT
BRANDEIS UNIVERSITY**

HS215f
Corporate Finance
Summer 2007

Professor Barry L. Friedman
Schneider 307
781 736-3783
bfriedman@brandeis.edu

Wednesdays, 6:30-9:20

Course Description: The course focuses on the financial decisions of corporations and other organizations, particularly investment and financing decisions. It introduces institutional background on financial markets and instruments. It also considers the applicability of the analytic tools to the nonprofit as well as for profit sectors.

Management Discipline Skills and Competencies: In terms of analytic tools, the course considers first the techniques for evaluating investments—the new projects and activities of an organization. Every organization should be able to assess the financial consequences of its new (and old) activities. It must be able to afford them, but it also needs standards for deciding on the best alternatives to pursue. The course introduces the valuation tools used to evaluate investment choices including present value and the cost of capital. Second, it considers the ways to finance the investments. The course considers a wide range of financing tools that may be available and ways to analyze their appropriateness for the organization.

MBA Program Distinctive Themes: The main theme arising in this class is balancing mission and margin. The standard valuation tools of corporate finance evaluate financial performance. But an organization may pursue a social mission that might not pass the standard financial test. The course considers other factors to balance against financial performance, including ways to finance a project that does not pay for itself.

Course Requirements: Students are expected to attend each class, prepare cases and other materials for each class, and participate in class. Students should complete Financial and Managerial Accounting and Statistics before taking this course. An assignment will be given in each class to be turned in at the beginning of the following class. Assignments must be presented in hard copy, not by email. The assignments will be based on cases or on problems. The best four out of five assignment grades will count toward the final grade, each 25%.

Course Reading: The text for the course is:

Lawrence J. Gitman, Principles of Managerial Finance, Brief, Third Edition, Addison Wesley, 2003.

There will also be additional readings and cases. Harvard cases may be obtained at the Harvard web site and other readings will be available on WEBCT.

Provisions for Feedback: The assignments will be graded weekly. Students are welcome to discuss issues with the TA or the instructor.

Academic Integrity: Academic integrity is central to the mission of educational excellence at Brandeis University. Each student is expected to turn in work completed independently, except when assignments specifically authorize collaborative effort. It is not acceptable to use the words or ideas of another person- be it a world-class philosophers or your lab partner – without proper acknowledgement of that source. This means that you must use footnotes and quotation marks to indicate the sources of any phrases, sentences, paragraphs or ideas found in published volumes, on the internet, or created by another student. Violations of university policies on academic integrity, described in Section 3 of *Rights and Responsibilities*, may result in failure in the course or on the assignment, and could end in suspension from the University. If you are in doubt about the instructions for any assignment in this course, you must ask for clarification.

Notice: If you have a documented disability on record at Brandeis University and require accommodations, please bring it to the instructor's attention prior to the second meeting of the class. If you have any questions about this process, contact Beth Mann, disabilities coordinator for The Heller School at x 62737, or at bmenn@brandeis.edu.

Course Schedule

In some weeks, the cases listed relate to the theoretical topics developed in the previous session rather than the current session.

I. Capital Budgeting

June 8

Overview of Finance and Financial System

Readings: Gitman, chapter 1

Time Value of Money

Readings: Gitman, chapter 4

June 15

Bond Valuation

Readings: Gitman, chapter 6

Risk, Return, and the Capital Asset Pricing Model

Readings: Gitman, chapter 5
Walt Disney Sleeping Beauty Bonds

June 22

Capital Budgeting

Readings: Gitman, chapters 8, 9
Yoland Reasearch Institute (a nonprofit case)

Distinctive theme: the Elliot Lake case raises the issue of balancing mission against margin.

Elliot Lake Retirement Living Inc.

June 29

Stock Valuation, Cost of Capital

Readings: Gitman, chapters 7, 10
Communications Satellite Corporation

II. Financing Decisions**July 6**

Leverage and Capital Structure

Readings: Gitman, chapter 11
Continental Carriers

July 13

Financing Strategies.

Readings: Quorum Health Group, Inc.