Course Description: This course is about how corporations make their investment and financing decisions. The purpose of this course is to acquaint you with the most important financial issues facing the managers of the corporation, and some of the analytical tools that are used to make these financial decisions. This course will rely heavily on the ideas and techniques you learned in microeconomics, statistics, and econometrics courses.

Structure of the Course: Course lectures will be pre-recorded and you may view them on Sakai (in warpwire). The material for the problem sets and quizzes (see requirements section below) will be based on the pre-recorded lectures. I will give you a schedule of videos to watch, and will post one week’s worth of videos at a time to reduce binge watching.

When we meet for class, we’ll focus on four things: answering your questions about the recorded lecture materials for that day; discussing current events in corporate finance from the day’s or week’s news; discussing your essays, and discussing assigned readings about topics in corporate finance.

Texts and Software:

Prinicpiles of Corporate Finance by Richard Brealey, Stewart Myers and Franklin Allen, McGraw Hill. You can buy or rent the latest edition, but older editions of the text are also fine, though it changes a great deal prior to the 6th edition.

Course info site: https://sakai.duke.edu
I strongly encourage you to read a current business periodical such as *The Wall Street Journal*. Excel is also very useful in this course, and you may wish to use Stata or another econometrics package as well. You should be able to obtain a costless digital-only subscription by going to [wsj.com/activateschool](http://wsj.com/activateschool) and setting up your account.

**Requirements:**

We’ll have a written exercise almost every week. The exercises will alternate between short writing assignments and problem sets. The short writing assignments will be based on assigned readings and will usually be assigned on Wednesday to be submitted the following Monday. **All essays are to be submitted electronically, in the Sakai drop box, in PDF format.**

You will have a week to work each problem set, and they will also be due on Mondays. **These will also be submitted electronically. I will give you instructions about how to format your problem set answers, so that they are easier to grade (and grade fairly).**

On the Wednesdays after a problem set is handed in, there will be a quiz. The quizzes will cover the material from the problem sets. These will be take-home exercises, and you’ll get 24 hours to work them. They are to be worked independently, with no outside materials except a copy of Excel (a blank worksheet with no additional formulas, macros, finance add-ins, or other tools that would defeat the pedagogical purpose of the quiz or give you an unfair advantage). Again, I’ll give specific instructions about how to format your answers so that they can be graded easily and fairly.

In addition to the weekly assignments, there will be a term-paper-sized writing assignment due close to the end of the semester.

Depending on the number of people taking the course remotely, and their location, I may also include participation in your final grade. I usually do this when I teach the course face-to-face, but the circumstances this semester may preclude that.

This semester, there will NOT be a final exam.
I also reserve the right to require other graded, in-class or take-home exercises.

**Late Paper Policy**

All written assignments—problem sets as well as papers—will be considered due at the beginning of class on the day they are to be handed in. I will not accept late papers. Extensions will be granted only in cases of illness or certifiable family emergency. Be sure to submit the appropriate electronic forms or other documentation.

If you miss a quiz because of an excused absence, you have one week from the date of the quiz to make it up. Makeups can be conducted via email.

I will post an assignment schedule on the website to help you plan.

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**Duke University's Academic Honor Code: The Duke Community Standard**

**The Duke Community Standard**

Duke University is a community dedicated to scholarship, leadership, and service and to the principles of honesty, fairness, respect, and accountability. Citizens of this community commit to reflect upon and uphold these principles in all academic and nonacademic endeavors, and to protect and promote a culture of integrity. The Duke Community Standard was developed and codified by students, and serves as the campus honor code for actions in and out of the classroom.

To uphold the Duke Community Standard:

- I will not lie, cheat, or steal in my academic endeavors;
- I will conduct myself honorably in all my endeavors; and
- I will act if the Standard is compromised.

For more information about the history of the Duke Community Standard, please visit [integrity.duke.edu/ugrad/](https://integrity.duke.edu/ugrad/).

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**Notes on Integrity Within this Course**

_Collaboration on Problem Sets is permitted and encouraged in this course._ Nonetheless, students are required to hand in their own copies of completed problem sets.

_Quizzes, Exams, and Papers:_ students should work independently on these exercises.

_When in doubt, ask:_ If you are ever confused about what collaboration or outside resources are permitted on any assignment or exercise, ask the instructor for clarification.
To this standard, I add the following comments.

**Any kind of academic dishonesty is a Code violation**, including witnessing a Code violation and not reporting it. The most serious type of academic dishonesty is handing in someone else's work and claiming that it is your own. This includes, in the context of essay writing, plagiarism. It also includes collaborating, *even with a student who is not in this course or section*, on any graded work that is supposed to be done independently. All quizzes and exams are to be done independently, as well as all paper writing. I may allow collaboration on other exercises, and if so, I will explicitly state the type and extent that I will allow. If I do not specify, you are to assume that you must work independently.

Yet another type of academic dishonesty is using work that is not original— that is, recycling your own or other students' work from other courses or sections of this course to be handed in to meet the requirements of this course, or using one piece of work to satisfy the requirements in two different courses simultaneously. In the latter case, I may allow this *if* you clear this with me ahead of time.

I believe that you are honest. Nevertheless, if I see evidence of any academic dishonesty, I will confront it according to the procedures described in the Bulletin of Duke University.

**Academic Integrity and the Course Videos**

Duke’s policy regarding the copying and distribution of faculty lectures is the following:

Recording of lectures may only be done with the permission of the instructor presenting the lecture. Once given, such permission may be withdrawn for particular lectures or for portions of lectures.

Student recording of lectures, when permitted by the instructor, shall be for private study only. Such recordings shall not be distributed to anyone else without authorization by the instructor whose lecture has been recorded.

**Please Note:** You do NOT have my permission to record or distribute the lectures from this course.
Schedule of Topics and Readings

The readings from the text are listed with the topics covered. Nearly every topic will be supplemented with outside readings. These will be announced in class and posted on the course website.

PART ONE: Valuation and Basic Capital Budgeting

A. Financial Management and Financial Performance
   Reading Assignment: Brealey, Chapter 1; Brealey, Chapter 29

B. Net Present Value and Discounting
   Reading Assignment: Brealey, Chapters 2-4;

C. Valuing Common Stocks
   Reading Assignment: Brealey, Chapter 5;

D. Making Decisions Using NPV Rules
   Reading Assignment: Brealey, Chapter 6

E. Modeling the Risk-Return Tradeoff
   Reading Assignment: Brealey, Chapters 8-9

F. Finding Discount Rates for Risky Projects and Debt
   Reading Assignment: Brealey, Chapter 10

G. Valuing Risky Investment Projects
   Reading Assignment: Brealey, Chapter 7 & Chapter 26

PART TWO: Capital Structure and Capital Budgeting

A. Debt Financing and MM
   Reading Assignment: Brealey, Chapters 18-19

B. Valuation in Light of MM: Adjusted Present Value
   Reading Assignment: Brealey, Chapter 20
PART THREE: Payout Policy

Reading Assignment: Brealey, Chapter 17

PART FOUR: The Market for Corporate Control

Reading Assignment: Brealey, Chapters 32-33

PART FIVE: Risk Management

A. Goals and Practices of Risk Management
   Reading Assignment: Brealey, Chapters 27-28

B. Options—Financial and Real
   Reading Assignment: Brealey, Chapters 11, 21-23