



INTERAMERICAN UNIVERSITY OF PUERTO RICO
METROPOLITAN CAMPUS

FACULTY OF ECONOMICS AND ADMINISTRATIVE SCIENCES
SYLLABUS

I GENERAL INFORMATION

Title	:	Corporate Finance I
Code	:	FINA 7101
Credits	:	3
Academic term	:	
Professor	:	
Office hour	:	
Phone number	:	
Mail address	:	

II DESCRIPTION

Evaluation of corporate finance theories and models and the application of finance policy including capital structure, dividends, options and derivatives and corporate restructuring.

III OBJECTIVES

At the end of the course, students should be able to:

1. Analyze the scope and reach of the finance theories.
2. Discuss the actual advances in financial theories and practices.
3. Evaluate the foundations, instruments and applications of the corporate finance.
4. Evaluate the current theories and practices related to derivatives.
5. Evaluate actual practices and theories related to corporate restructuring.

IV CONTENTS

1. The development of corporate finance.
 - 1.1 Normative and positive theories of corporate Finance.
 - 1.2 Challenges to corporate finance theories and practices.
2. Cost of capital and capital budgeting
 - 2.1 Risk, cost of capital and capital budgeting
 - 2.2 Raising capital: theory and evidence.
 - 2.3 Estimating the cost of capital.
3. Payout policy
 - 3.1 The Modigliani-Miller Propositions.
 - 3.2 Cash dividends
 - 3.3 Other payouts.

4. Equity financing and Initial Public Offerings.
 - 4.1 Equity financing.
 - 4.2 Initial Public Offerings.
6. Debt financing and liability management
 - 5.1 Convertible Bonds.
 - 5.2 Short-Term Finance and Planning.
 - 5.3 Leverage, maturity and priority.
7. Derivatives and option pricing.
 - 6.1 Strategic risk management
 - 6.2 Valuing flexibility
8. Corporate control and restructuring
 - 7.1 Mergers and acquisition.
 - 7.2 The motives and methods of corporate restructuring.
 - 7.3 Stock-Swap.
 - 7.4 Ethics importance in corporate control and restructuring.

V. ACTIVITIES

1. Students should read the material before the discussion in class.
2. Students are required to search for some topics, literature, and financial practices in the internet to select their research questions that are part of the evaluation.
3. Presentations of the selected topics in class individually or in small groups.

VI. EVALUATION

Evaluation	Description	Points	%
Required research topic*	Literature review of a topic selected by the professor.	100	40%
A free-choice topic*	Selected by the student and subject to the professor approval.	100	40%
Presentation	Presentation (in groups) of the class topics	25	10%
Participation	Class participation and feedback to groups presentation	25	10%
Total		250	100%

*The research topics should be analyzed in a critical manner with appropriate references. Also, should satisfy the course objectives. The minimum acceptable work is 3,000 words and the maximum not to exceed 5,000 words. APA style is required.

Any inconvenience or any condition that will not enable a student to take one of the required evaluations should be discussed with the instructor before the date of the evaluation.

The following table is used to assess and evaluate presentations.

	Items	/	importance and achievements	<70%	70-79	80-89	90+
1	Understanding	the paper(s) summaries	Theory				
			Methodology				
			Contribution				
			Results				
2	Presentation	Adequacy	Clear and logical				
			Structured				
		Use of language	Clear and logical				
		Topic appropriateness	For Doctoral students				
3	Tools	Adequate use	PowerPoint				
4	Further research	Original suggestions	Examples of needed research				
5	Timing	Adequacy	Use of time				

VII. SPECIAL NOTES

Auxiliary Services or Special Needs Services

Students that require special auxiliary services or special assistance must visit the office of Mr. José Rodríguez, at the University Orientation Program located at the first floor of Harris Building, at the beginning of the course or as soon as the knowledge for the need of such services is acquired.

Honesty, Fraud, and plagiarism Student General Regulation, Chapter 5

The lack of honesty, fraud, plagiarism and any other inappropriate behavior in relation to the academic work constitute major infringement sanctioned under the Student General Regulation. Major infractions, as provided by the regulation under student infringements can have as a result the suspension of the University for a defined period of time greater than a year or permanent expulsion from the University, among other sanctions.

Use of Electronic Devices

Cellular (mobile) telephones and any other electronic device that could interrupt the teaching-learning process or disrupt a milieu favorable for academic excellence will be deactivated. Critical situations will be dealt with in an appropriate manner. The use of electronic devices that permit the accessing, storing or sending of data during tests or examinations is prohibited.

VIII. RESOURCES

Recommended References

- Ullah, Aman and Giles, David E. editors (2011), *Handbook of Empirical Economics and Finance*, CRC Press, Taylor & Frances Group, ISBN 978-1-4200-7035-4.
- Guerard, John B. Jr. and Schwartz, Eli (2007), *Quantitative Corporate finance*, Springer, ISBN 13-978-1-4020-7019-8.
- John Graham, Scott B. Smart, William L Megginson (2009), *Corporate Finance: Linking Theory to What Companies Do*, South-Western College Pub; 3 edition, **ISBN-10:** 0324782918, **ISBN-13:** 978-0324782912.
- Robert Engle (2009), *Anticipating Correlations: A New Paradigm for Risk Management*, <http://press.princeton.edu/catalogs/subjects/fin.html>, | ISBN: 9780691116419.
- Francis X. Diebold, Neil A. Doherty & Richard J. Herring, Editors (2010), *The Known, the Unknown, and the Unknowable in Financial Risk Management: Measurement and Theory Advancing Practice*, <http://press.princeton.edu/catalogs/subjects/fin.html>, ISBN: 9780691128832, ISBN: 978140083528.
- Ales Cerný (2009), *Mathematical Techniques in Finance: Tools for Incomplete Markets* (Second Edition), <http://press.princeton.edu/catalogs/subjects/fin.html>, ISBN: 9780691141213.
- David N. DeJong & Chetan Dave (2011), *Structural Macro-econometrics: (Second Edition)*, <http://press.princeton.edu/catalogs/subjects/fin.html>, ISBN: 9780691152875.
- Jonathan Berk; Peter Demarzo; David Stangeland; Jerrod Falk, (2011), *Corporate Finance*, Second Canadian Edition, <http://www.coursesmart.com/9780321708717>

IX. BIBLIOGRAPHY

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- Ross, Stephen A., Randolph W. Westernfield, Jeffrey F. Jaffe, and Bradford D. Jordan, (2007) *Corporate Finance*, McGraw-Hill, Irwin.
- Stephen J. Taylor (2005, 2007), *Asset Price Dynamics, Volatility, and Prediction*, <http://press.princeton.edu/catalogs/subjects/fin.html>, ISBN: 9780691134796.
- John H. Cochrane (2005, 2008), *Asset Pricing: (Revised Edition)*, <http://press.princeton.edu/catalogs/subjects/fin.html>, ISBN: 9780691121376 | ISBN: 9781400829132.
- William F. Sharpe (2008), *Portfolio Choices, Asset Prices, and Investment Advice*, <http://press.princeton.edu/catalogs/subjects/fin.html>, ISBN: 9780691138503, ISBN: 9780691128429, ISBN: 9781400830183.
- Yvan Lengwiler (2006), *Microfoundations of Financial Economics: An Introduction to General Equilibrium Asset Pricing*, <http://press.princeton.edu/catalogs/subjects/fin.html>, ISBN: 9780691126319, ISBN: 9781400829576.
- Stephen A. Ross (2004, 2009), *Neoclassical Finance*, <http://press.princeton.edu/catalogs/subjects/fin.html>, ISBN: 9780691121383, ISBN: 9781400830206.
- Jean Tirole (2006), *The Theory of Corporate Finance*, <http://press.princeton.edu/catalogs/subjects/fin.html>, ISBN: 9780691125565.
- Barberis, N., A. Shleifer, and R.W. Vishny, (1998), A Model of Investor Sentiment, *Journal of Financial Economics*, 49, 307-343.
- Boehmer E. and E.K. Kelley, 2009, Institutional Investors and the Informational Efficiency of Prices, *Review of Financial Studies*, 22, 9, 3563-3594.
- Booth, James R. and Richard I. Smith, "Capital Raising, Under writing and the Certification Hypothesis", *Journal of Financial Economics* 15 (1986).
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- Bruner, Robert F. (2003), *Case Studies in Finance, Managing for Corporate Value Creation*, Fourth Ed., McGraw-Hill Irwin.
- Campbell, J.Y. and S.B. Thompson, (2005). "Predicting the Equity Premium Out of Sample: Can Anything Beat the Historical Average?" NBER Working Papers 11468, National Bureau of Economic Research, Inc.
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- R. Bansal and A. Yaron, 2004, Risks for the Long Run: A Potential Resolution of Asset Pricing Puzzles, *Journal of Finance*, 59, 1481-1509.
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- R. Jagannathan and Y. Wang, 2007, Lazy Investors, Discretionary consumption and the Cross Section of Asset Returns, *Journal of Finance*, 62, 1623-1661.
- Sadka R. and A. Scherbrina, 2007, Analyst Disagreement, Mispricing, and Liquidity, *Journal of Finance*, 62, 5, 2367-2403.
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- Zhi Da, Cash Flow, Consumption Risk, and the Cross section of Expected Returns, 2009 , *Journal of Finance*, 64, 923-953.

Electronic Resources

Useful Pages of the University

<http://www.inter.edu>

<http://metro.inter.edu/>

<http://web.inter.edu/>

Information and Technology Center of the University

<http://cai.inter.edu/>

http://cai.inter.edu/main_pages/econo_fina_negoci.htm

Emerald Base of Data

The Faculty of Economics and Business Administration Journal

<http://ceajournal.metro.inter.edu/>

External Base of Data

Yahoo financial

Security and Exchange Commission (SEC)

American Institute of Certified Public Accountant

World Bank

<http://www.federalreserve.gov/releases/zl/Current/zlr-4.pdf>
<http://www.census.gov/ipc/www/idbpyr.html>
www.wikipedia.org
<http://www.aeaweb.org/RFE>

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