



**CITY UNIVERSITY OF NEW YORK  
LEHMAN COLLEGE  
SCHOOL OF BUSINESS  
DEPARTMENT OF FINANCE, INFORMATION SYSTEMS AND ECONOMICS**

BBA 308 – D301 CORPORATION FINANCE, FALL 2023.

**COURSE SYLLABUS**

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**INSTRUCTOR INFORMATION**

INSTRUCTOR: Alexander Núñez-Torres, Ph.D.  
POSITION: Associate Professor  
OFFICE: Carman Hall, Room 376  
OFFICE HOURS: Tuesday: 3:00 PM to 4:00PM, by  
appointment only  
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**COURSE INFORMATION**

COURSE NUMBER - SECTION: BBA 308 – D301  
TITLE: Corporation Finance  
CREDITS UNITS: Three Units  
CAREER: Undergraduate

**COURSE ARRANGEMENT:**

Tuesday and Thursday: 1:30 PM to 2:45 PM, **Carman 335**

**COURSE DESCRIPTION:**

Analysis of cost of capital, methods to raise equity and debt, capital structure theory, dividend payout policy, financial modeling and financial planning.

PREREQ: BBA 207 and MAT 171 or MAT 172

### **COURSE OBJECTIVES:**

Upon successful completion of this course, the student will be able to:

1. Describe the drivers and computation of the firm's overall cost of capital, it's differences across industries and companies
2. Measure the costs of debt, preferred stock, and common stock.
3. Explain the process of taking a company public. Initial public offers underpricing.
4. Describe different types of debt financing available for the firm.
5. Explain capital structure under perfect and imperfect capital markets.
6. Describe payout policy, tax considerations and agency problems.
7. Perform long-term financial planning, pro-forma analysis and value of the firm.
8. Compute cash cycle, management of working capital, short-term needs and short-term financial planning.

### **LEARNING BLOCKS, MODULE and CHAPTER DESCRIPTIONS:**

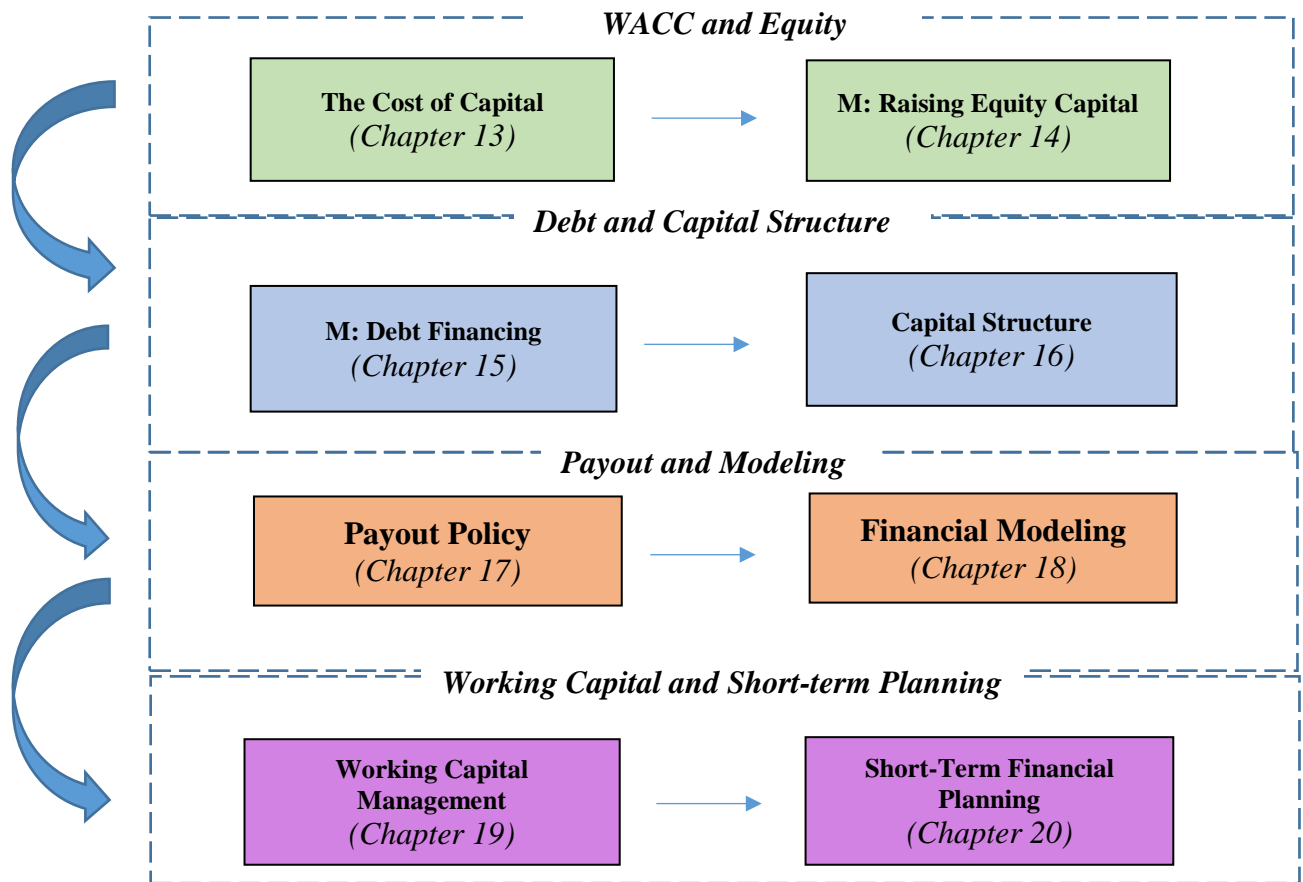
This course is structured in learning blocks, and within, modules and chapters to better guide to the course topics. **The course components are lectures, discussion boards, assignments and exams.**

**On blackboard you will find “Course Materials” with modules and chapters. Modules** are created for a combination of asynchronous and synchronous material. **Chapters** are created for material for our class meetings.

For each block you will have a series of Modules and chapters that will instruct you to the learning objectives of this course. Each Module/Chapters has a corresponding lecture that contains the knowledge to be learned. Finally, after each block you will have to submit an assignment, we will do a workshop and finally you will show your understanding by taking an exam. For **modules**, the lecture will serve not only as an information repository, but it will also serve a guide to walk the student through the module: It will indicate first, when to use the corresponding video-resources for the topics discussed in the lecture, second, when to participate in the discussion boards, and finally, when to stop to wait for the synchronous meetings. You will need to complete the modules before specific dates.

Below you will find a description of the learning blocks, each learning blocks shown correspond to the blocks on Blackboard:

- a) **WACC and Equity (Green Block)**
- b) **Debt Financing and Capital Structure (TVM) (Blue Block)**
- c) **Payout and Modeling (Peach Block)**
- d) **Working Capital and Short-Term Planning (Purple Block)**



Below a description of each of the modules/chapters:

**1- The Cost of Capital**

The Weighted Cost of Capital (WACC) is used to discount the cash flows of the firms as well as to assess the firm's risks weighting for the external capital. In this lecture you are going to learn the drivers of the firm's overall cost of capital, the measurement of the cost of debt, preferred and common stocks, as well as the computation of the firm's cost of capital (WACC). Then, you will understand the direct cost of raising external capital and how to use the WACC to value a project.

**2- Raising Equity Capital**

In this lecture you will contrast the ways of raising capital for a private company. Understand the process of taking a company public and gain insight into puzzles associated with initial public offerings (IPO). Finally, you will learn how to raise additional equity capital once the company is public.

**3- Debt Financing**

After learning about Equity Capital, you will identify the different types of debt financing available to a firm. Understand the limits within bond contracts that

protect the interests of bondholders and describe the various options available to firms for the early repayment of debt.

#### 4- **Capital Structure**

Rounding on Debt and Equity, you are going to examine how capital structures vary across industries and companies. Moreover, you will learn why investment decisions, rather than financing decisions, fundamentally determine the value and cost of capital of a firm. Finally describe how leverage increases the risk of the firm's equity and demonstrate how debt can affect firm value through taxes and bankruptcy costs.

#### 5- **Payout Policy**

In this lecture you are going to identify the different ways in which corporations can make distributions to shareholders. Understand why the way in which they distribute cash flow does not affect value absent market imperfections. Demonstrate how taxes can create an advantage for share repurchases versus dividends. Explain how increased payouts can reduce agency problems but potentially reduce financial flexibility. Understand the role of payout policy in signaling information to the market and describe alternate non-cash methods for payouts

#### 6- **Financial Modelling and Pro Forma Analysis**

Firms' capital structure, and payout policy are the foundation of corporate finance. In the following lectures we will describe how these affect the operation of the firm. In this particular lecture you will learn the goals of long-term financial planning for the corporation. You will learn how to create pro forma income statements and balance sheets using the percent of sales method, develop financial models of the firm by directly forecasting capital expenditures, working capital needs, and financing events and distinguish between the concepts of sustainable growth and value-increasing growth.

#### 7- **Working Capital Management**

After learning on how to model financial future and pro forma analysis, we will discuss one of the most important aspects of financial management. In this lecture you will understand the cash cycle of the firm and why managing working capital is important, the use of trade credit to the firm's advantage as well as the management accounts payable. Finally, contrast the different instruments available to a financial manager for investing cash balances.

#### 8- **Short-Term Financial Planning**

What is one of the principal reasons for firms' failure? Cash Management. In this lecture you will learn how to forecast cash flows and short-term financing needs. You will understand the principle of matching short-term needs to short-term funding sources, know the types of different bank loans and their tradeoffs and understand the use of commercial paper as an alternative to bank financing. Finally, you will learn how to create a short-term financial plan.

**REQUIRED TEXTBOOK:**

Berk Jonathan and Peter DeMarzo. Fundamentals of Corporate Finance. 3<sup>rd</sup> Edition. Pearson. ISBN-13: 978-0133507676. Price: 16.05, Used. Ref: [www.Amazon.com](http://www.Amazon.com)

**USE OF TECHNOLOGY: BLACKBOARD, FINANCIAL CALCULATOR LEHMAN EMAIL:**

We use Blackboard for almost everything in this course. To post important course-related documents and materials (lectures, and chapters) such as the course syllabus (and any updates or changes to the syllabus), submitting assignments and solutions to the recommended homework (practice) problems. Some of the exams will be in Blackboard. Blackboard can be accessed through the Lehman College website: [www.lehman.cuny.edu](http://www.lehman.cuny.edu).

Since Blackboard is automatically linked to your Lehman College email account, and will serve as the principal method to communicate outside the classroom, **students are expected to check Blackboard** and their **Lehman College email account** on a regular basis.

If you have any questions about Blackboard and your Lehman College email account or your password, or if you have any problems accessing the site please call the computer helpdesk at 718-960-1111.

During the course, you will need a financial calculator. It is **required** that you have the calculator to **all the class meetings**

**GRADING POLICY:**

Grades will be determined by the following criteria:

- **Attendance 5%:**

For the days that we are scheduled to meet, attendance is required (see Attendance policy from student book). Every class that we meet the professor will record the student's attendance. Students present at the beginning of the first 10 minutes of class until the end of it will receive full credit for that day. If you connect after the 10 minutes mark, your attendance for that day will count as a half credit (0.5). For all meetings, **it is suggested that you have access to the PPT lectures to the class in order to take notes.**

**For the days that we do not meet**, the attendance will be the average points for the respective discussion boards (if any). The instructor will keep track of the statistics of the viewership of the videos.

The final grade on attendance correspond to the cumulative sum of the points the student obtained given throughout the course, divided by the total amount of cumulative points possible.

- **Assignments 40%:**

**Assignments are to be done individually.** All students must submit the assignment through blackboard before the due date.

Unless informed otherwise, homework projects have two equally weighted parts: submitting the assignment at the due date (70%), and participating in the review of the homework (30%). If the student fails to attend to the homework review, the 30% score of the homework assignment will be added to the corresponding exam. 10% will be deducted for each day the assignment is overdue. (All assignment will be submitted via blackboard and are due before 11:59pm of their respective assigned date). Keep in mind that the cumulative value of the assignments is 40% of your final grade.

The homework reviews will consist of the instructor explaining the problems assigned. The workshops will be made available online and a discussion about the answers will take place the same day of the homework review.

Assignment dates:

**Homework #1** is due Wednesday September 13<sup>th</sup> at 11:59 PM

**Homework #2** is due Sunday, October 15<sup>th</sup> at 11:59 PM

**Homework #3** is due Wednesday, November 08<sup>th</sup> at 11:59 PM

**Homework #4** is due Sunday, December 10<sup>th</sup> at 11:59 PM

- **Workshops (Extra credit):**

Workshops are to be submitted individually, **the due date is the day before we have the respective workshop discussion.** They don't have to be correct, just completed. They will be graded for completeness, meaning that you will not receive marks or corrections. A submission of the workshop will count as 5% extra credit of the respective exam.

- **Bloomberg Workshops (Regular meetings):**

We are going to have classes at the Bloomberg Lab located in the Leonard Lief Library, second Floor, Room 226A. These are going to be related to the topic at hand and will take place during regular class time. The dates are:

Bloomberg Workshop 1. September 19<sup>th</sup>, at 1:30 PM

Bloomberg Workshop 2. October 26<sup>th</sup>, at 1:30 PM

Bloomberg Workshop 3. November 14<sup>th</sup>, at 1:30 PM

- **Exams 55%:**

Exams are based on the assigned course readings, lectures and supplemental materials related to the course. A total of FOUR exams will be assigned for this class. You are required to have a calculator to all the exams, other electronic devices are not permitted. The dates of the Exams are the following:

**EXAM 1:** Thursday, September 21 from 1:30 pm – 3:00 pm, Online

**EXAM 2:** Thursday, October 19 from 1:30 pm – 3:00 pm, Online

**EXAM 3:** Thursday, November 16, Take-home (Due date November 18)

**EXAM 4:** TBD (Scheduled by the registrar Office)

Each exam is equally-weighted when calculating the final distribution of the course grade. The lowest performing grade **of the three first exams** will be dropped from calculation of the final course grade. Unless informed otherwise, **taking all the exams is required**, if you don't take one of the exams, you will receive a 0 and that score will count for the calculation of your final grade. Because the lowest performing grade of the exams will be dropped, **no make-up exams nor additional assignments** will be administered for students who did not complete an exam, or participated in an assignment. **The final exam will NOT be dropped from the calculations**

If a student possesses a well-justified and evidenced reason to not complete an exam during its scheduled time, then the professor may consider an exception and grant the student the opportunity to take a make-up exam. Nevertheless, the make-up exam will be different from the previously administered exam and the student's final course grade will then be calculated as the equally weighted average of the four exams; e.g. the lowest performing grade in the course will NOT be dropped from the calculation of the final course grade.

<b>Course Topics corresponding to each exam</b>	
<b>Exam #1</b>	Chapter 13 Chapter 14 Assignment #1
<b>Exam #2</b>	Chapter 15 Chapter 16 Assignment #2
<b>Exam #3</b>	Chapter 17 Chapter 18 Assignment #3
<b>Exam #4</b>	Chapter 19 Chapter 20 Assignment #4

- **Environmental Social Governance, Bloomberg Lab (Extra credit):**

Environmental Social Governance (ESG) is an 8-hour self-paced e-learning course that provides a visual introduction to the financial markets (usually takes up to 8 hours to complete). ESG consists of seven modules woven together from Bloomberg data, news, analytics and television. ESG is available online for a rate, however, *Lehman Students get access to it at no charge*. In order to complete the ESG, you will need to register using the terminal at the Leonard Lief Library, second floor Room 226A. Further instructions are provided in the Lehman’s Library website below. There you can find the Bloomberg Research Guide and the Lab hours:

<https://www.lehman.edu/library/bloomberg.php>

The class code if you need it is: VSY59ZDWGB

**COURSE EVALUATION AND GRADING SCALE:**

Course Evaluation		Grading Scale	
Assignment #1	10%	Score Range	Grade
Assignment #2	10%	94.5 – 100	A
Assignment #3	10%	89.5 – 94.5	A-
Assignment #4	10%	84.5-89.5	B+
Exam #1 - #4	55%	79.5 – 84.5	B
Attendance	5%	77.5 – 79.5	B-
Total	100%	72.5 – 77.5	C+
		67.5 – 72.5	C
		64.5 – 67.5	C -
		54.5 – 64.5	D+
		49.5 – 54.5	D
		49 or lower	F

**ACCOMMODATING DISABILITIES:**

Lehman College is committed to providing access to all programs and curricula to all students. Students with disabilities who may need classroom accommodations are encouraged to register with the Office of Student Disability Services. For more information, please contact the Office of Student Disability Services, Shuster Hall, Room 238, phone number, 718-960-8441.



## **ATTENDANCE POLICY (FROM STUDENT HANDBOOK)**

Students are expected to attend classes regularly, and instructors are required to record attendance for grading and counseling purposes. Individual instructors, as well as departments or degree programs, may establish specific attendance requirements. Instructors have the right to weigh attendance and class participation in determining grades. It is the student's responsibility to ascertain the effect attendance may have on the grade in a course. Students receiving financial aid must be certified as attending classes regularly for continuing eligibility.

## **ACADEMIC CENTER FOR EXCELLENCE (ACE) & SCIENCE LEARNING CENTER (SLC)**

The Academic Center for Excellence (ACE) and the Science Learning Center (SLC) are two of the tutoring centers on campus. The ACE provides appointment based and drop-in tutoring in the humanities, social sciences, and writing, as well as general writing and academic skills workshops. The SLC provides drop-in tutoring for natural and computer science courses. To obtain more information about the ACE and the SLC, please visit their website at <http://www.lehman.edu/issp> or please a call to the ACE at 718-960-8175, and the SLC at 718-960-7707.

## **ACADEMIC INTEGRITY AND PLAGIARISM POLICY**

Statement may be found in student handbook. For more information refer to <http://www.lehman.cuny.edu/student-affairs/documents/student-handbook-02.pdf>. While students are encouraged to work together in solving most of the class assignments, each student needs to hand in their individual work to receive a full grade.

Use of Artificial Intelligence (AI): While AI technologies are a powerful tool that can assist you in various academic tasks, it is important to note that its use is strictly prohibited for activities that involve academic dishonesty. Academic dishonesty includes, but is not limited to, using AI to complete assignments, tests, or quizzes on your behalf, plagiarizing or copying content generated by AI without proper attribution, or seeking answers to questions during exams. We encourage you to use AI responsibly, primarily as a tool for generating ideas, clarifying concepts, or seeking guidance on topics. Remember, academic integrity is fundamental to your growth and development as students.

**Being caught cheating in an exam or an assignment will result in a score of 0% in the exam/assignment and a final grade for the course of "F".**

## **SPECIFIC POLICIES**

The instructor will be very respectful with each student. The same is expected from each student to all other classmates and to the instructor. **The use of laptops for activities unrelated to the course is not allowed during class.** Please **silence** your cell phones during class.

**BBA 308 – D301 Corporation Finance, Fall 2023: Weekly Calendar**

Session	Date	Topic/Assignments	Objectives	Student Assignments
<b>Week 1</b>	Tu – 08/29	Welcome and Introduction	Know each other; Describe the Syllabus and Schedule.	Enjoy and Discuss
	Th – 08/31	The Cost of Capital	Discuss the drivers of the firm’s overall cost of Capital, and learn about how to compute the WACC. <b>Assign Homework #1.</b>	<b>Read Chapter 13</b>
<b>Week 2</b>	Tu – 09/05	The Cost of Capital	Apply the WACC to value projects, Adjust the cost of capital for the risk associated with the project and account for the direct cost of raising external capital. <b>Workshop #1 available.</b>	Read Chapter 13
	Th – 09/07 <b>ONLINE</b>	Raising Equity Capital	Contrast the different ways to raise equity Capital, and understand the process of taking a company public	<b>Read Chapter 14</b> <b>VD: Angel Investors</b> <b>VD: Venture Capitalists</b> <b>DB: Angel Investors vs Venture Capitalists</b> <b>VD: Institutional Investors</b> <b>VD: IPO</b> <b>VD: Underwriters</b> <b>VD: Rights Offers</b> <b>DB: Rights Offer</b>
<b>Week 3</b>	Tu – 09/12	Raising Equity Capital	Gain insight into puzzles associated with initial public offerings and explain how to raise additional equity capital once the company is public.	<b>Homework #1 is due Wednesday September 13<sup>th</sup> at 11:59 PM</b>
	Th – 09/14	Assignment #1 review Workshop #1	Gain insight into puzzles associated with initial public offerings and explain how to raise additional equity capital once the company is public	Bring Workshop #1 Completed. Bring a calculator.
<b>Week 4</b>	Tu – 09/19	Workshop #1 <b>Bloomberg Workshop 1</b>	Discuss the Workshop, any other questions before the exam.	Bring Workshop #1 Completed. <b>This class will take place in the Bloomberg Lab</b>
	Th – 09/21 <b>ONLINE</b>	<b>Exam #1</b>	<b>Exam 1 Online</b>	<b>Read Chapters 13 and 14.</b> <b>Read the presentations, and Homework #1.</b>
<b>Week 5</b>	Tu – 09/26	Debt Financing and Capital Structure	Discuss the Debt Financing module. Examine how capital structures vary across industries and companies. Understand why investment decisions, rather than financing decisions, determine the value and cost of capital of a firm. <b>Workshop #2 available. Assign Homework #2.</b>	<b>Read Chapter 15.</b> <b>Read Chapter 16</b>
	Th – 09/28 <b>ONLINE</b>	Debt Financing	Identify different types of debt financing available to a firm.	Read Chapter 15. <b>VD: Debentures vs Bonds</b> <b>VD: Subordinated Debts</b> <b>VD: Tranches</b> <b>DB: Tranches</b> <b>VD: Bond Covenants</b>

**BBA 308 – D301 Corporation Finance, Fall 2023: Weekly Calendar**

Session	Date	Topic/Assignments	Objectives	Student Assignments
				<b>DB: Bond Covenants and Return</b> <b>VD: Callable Bonds</b> <b>DB: Callable Bonds</b> <b>VD: Sinking Funds</b> <b>VD: Convertible Bonds</b>
<b>Week 6</b>	Tu – 10/03	Capital Structure	Describe how leverage increases the risk of the firm's equity. Demonstrate how debt can affect firm value through taxes and bankruptcy costs.	Read Chapter 16
	Th – 10/05	<b>No Class Scheduled</b>	<b>No Class Scheduled</b>	
<b>Week 7</b>	Tu – 10/10	<b>No Class Scheduled</b>	<b>See Academic Calendar</b>	
	Th – 10/12	Capital Structure	Show how the optimal mix of debt and equity trades off the costs and benefits of debt. Analyze how debt can alter the incentives for managers.	<b>Homework #2 is due Sunday, October 15<sup>th</sup>, at 11:59 PM.</b>
<b>Week 8</b>	Tu – 10/17	Assignment #2 review Workshop #2		Bring your Calculator.
	Th – 10/19	<b>Exam #2</b>	<b>Exam 2 Online</b>	<b>Read Chapters 15 and 16. Read the presentations, and Homework #2.</b>
<b>Week 9</b>	Tu – 10/24	Payout Policy	Identify the different ways in which corporations can make distributions to shareholders. Understand why the way in which they distribute cash flow does not affect value absent market imperfections. Demonstrate how taxes can create an advantage for share repurchases versus dividends. <b>Assign Homework #3. Workshop #3 available.</b>	<b>Read Chapter 17</b>
	Th – 10/26	Payout Policy. <b>Bloomberg Workshop 2</b>	Explain how increased payouts can reduce agency problems. Understand the role of payout policy in signaling information to the market. Describe alternate non-cash methods for payouts.	Read Chapter 17 <b>This class will take place in the Bloomberg Lab</b>
<b>Week 10</b>	Tu – 10/31	Financing Modelling and Pro Forma Analysis	Understand the goals of long-term financial planning. Create pro forma income statements and balance sheets using the percent of sales method.	<b>Read Chapter 18</b>
	Th – 11/02	Financing Modelling and Pro Forma Analysis	Develop financial models of the firm by directly forecasting capital expenditures, working capital needs, and financing events. Distinguish between the concepts of sustainable growth and value-increasing growth.	Read Chapter 18
<b>Week 11</b>	Tu – 11/07	Financing Modelling and Pro Forma Analysis	Use pro-forma analysis to model the value of the firm.	Bring your Calculator Read Chapter 18. <b>Homework #3 is due Wednesday, November 8<sup>th</sup> at 11:59 PM</b>

**BBA 308 – D301 Corporation Finance, Fall 2023: Weekly Calendar**

Session	Date	Topic/Assignments	Objectives	Student Assignments
	Th – 11/09	Assignment #3 review Workshop #3.	Review the homework. Discuss the Workshop, any other questions before the exam	Bring Homework #3. Calculator.
<b>Week 12</b>	Tu – 11/14	<b>Bloomberg Workshop 3</b>	Discuss the Workshop, any other questions before the exam. Discuss the exam	<b>This class will take place in the Bloomberg Lab</b>
	Th – 11/16	<b>Exam #3 available 1:30 PM</b>	Complete the exam before the due date.	<b>Exam #3 is due Saturday November 18<sup>th</sup> at the end of the day at 11:59 PM</b>
<b>Week 13</b>	Tu – 11/21	<b>Exam 3 Review.</b> Working Capital Management	Understand the cash cycle of the firm and why managing working capital is important. <b>Assign Homework #4. Workshop #4 available.</b>	<b>Read Chapter 19</b>
	Th – 11/23	<b>No Class Scheduled</b>	<b>See Academic Calendar</b>	
<b>Week 14</b>	Tu – 11/28	Working Capital Management	Use trade credit to the firm's advantage. Make decisions on extending credit and adjusting credit terms.	Read Chapter 19
	Th – 11/30	Working Capital Management	Manage accounts payable. Know the costs and benefits of holding additional inventory. Contrast the different instruments available to a financial manager for investing cash balances.	Read Chapter 19
<b>Week 15</b>	Tu – 12/05	Short-Term Financial Planning	Forecast cash flows and short-term financing needs. Understand the principle of matching short-term needs to short-term funding sources. Know the types of different bank loans and their tradeoffs. Understand the use of commercial paper as an alternative to bank financing.	<b>Read Chapter 20</b>
	Th – 12/07	Short-Term Financial Planning	Use financing secured by accounts receivable or inventory. Know how to create a short-term financial plan.	Read Chapter 20.
<b>Week 16</b>	Tu – 12/12	Workshop #4. Assignment #4 review	Discuss the workshop. Discuss any other questions before the exam.	<b>Homework #4 is due Sunday, December 10<sup>th</sup> at 11:59 PM.</b> Bring Homework #4. Calculator