Corporate Finance
Finc 414
Fall 2012
The American University in Cairo
School of Business
Department of Management

Dr. Medhat Hassanein

Office: BEC 2013
Off. Hrs.: M.R 1:00 – 2:00 p.m. or by appointment.
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Catalogue Description & Course Prerequisites
The course introduces students to basic concepts of corporate finance in the Egyptian environment. The course will cover the theory and application of capital budgeting techniques and risk analysis, economic rent, corporate debt management, real options and capital lease.
Prerequisite: FINC 303

Mission of the Management Department
Our mission is to develop business leaders who are dedicated to the betterment of society by providing a high quality business education to top caliber students from all segments of Egyptian society as well as from other countries while focusing on continuous improvement and a commitment to excellence in learning, intellectual contributions and service.

In support of this mission the department:
- Provides a high quality contemporary-style business education that blends a global perspective with national cultures and is relevant to the business needs of Egypt and the region.
- Provides programs that encourage the development of an entrepreneurial spirit that emphasizes creativity, innovation, individual initiative and teamwork
- Provides a learning environment that fosters faculty/student communication and promotes lifelong learning and career development
- Encourages faculty development activities that improve teaching, maintain competence and that keep faculty current with ideas and concepts in their field.
- Seeks to develop a portfolio of intellectual contributions to learning and pedagogy, to practice, and to the theory and knowledge base of the disciplines.
• Encourages the establishment of close partnerships with the business community through consultancies and service that enhance the intellectual and economic quality of Egypt while enriching the learning process.

Course Objectives:
• To provide students with an overview of the basic concepts and techniques of financial management and their applications to business with particular emphasis on capital budgeting techniques, investment decisions under uncertainty, debt policy, leasing, options and derivatives.

• To introduce students to the techniques of problem solving so as to enhance their analytical skills. Moreover, field work exposure will be attained by analyzing and presenting real life case studies.

• To expose students to the current financial events.

Competency Coverage:
In addition to the specific objectives of the course, the material and activities have been selected to aid students in their progress toward developing the following competencies:

• Process an ability to learn
• Be able to analyze, organize, and synthesize information to draw and support conclusions
• Be able to effectively communicate orally and in writing
• Be able to access, communicate, and present information technology using modern technology
• Have the ability to integrate the functional areas of business when assessing business situations
• Be able to effectively apply decision making skills
• Be able to challenge conventional wisdom and abstract complex situations into their basic elements
• Understand information technology and its use in solving business problems
• Understand how to use variety of information sources to investigate and research business issues
• Understand how to apply quantitative methods in analyzing business situations
• Understand external and internal business environment
• Be able to conceptualize and apply problem solving techniques in a variety of organizational settings
• Be able to apply skills and utilize knowledge to address real world business situations
• Understand ethical issues within a cultural context
• Understand the need for socially responsible attitudes
• Appreciate the need for life long learning
Text and Other Reading Materials:

Assigned Text book:


- Medhat Hassanein: Key Business Terminologies: El-Khazindar Business Research and Case Center (KCC).
  http://www.aucegypt.edu/BUSINESS/KCC/Pages/KeyBusinessTerminologies.aspx

Other related reading materials will be assigned in class.

Grading:

Exam I 20%
Exam II 20%
Final Exam (Comprehensive) 25%
Cases & Problems 10%
Research Project 15%
Class Attendance & Participation 10%

Attendance:
Attendance and participation in class discussions are very important for the purpose of comprehending the materials of this course, therefore students who miss three weeks of classes (six sessions) will be asked to drop the course. According to the grading system of this course 5% is given to full attendance of classes. For every missing class without a legitimate excuse accepted by the instructor, the student will lose 1% of the course final grade.

Research Project:
The research project aims at improving the understanding and comprehension of the course subjects. Project paper should be presented in groups of a minimum of two maximum of three students. Topics to be covered may be proposed by the instructor. Students are encouraged to have their own research topics. Instructor’s approval must be secured for both the topic and the composition of the group. Projects should be empirical and analytical, concise, well written and limited to 20 pages including appendices. Individual contribution of group members must be demonstrated. All projects may be invited to class presentation and discussion.
The following topics are recommended, however other related subjects are also welcomed:

- Capital budgeting techniques
- Risk analysis
- Fixed income securities
- Securitization
- Corporate debt management
- Real options
- Capital lease
- Real estate finance
- Merger and acquisition

**Academic Dishonesty:**

The University Academic Honesty Policy:

*Preamble:* Valuing the concepts of academic integrity and independent effort, the American University in Cairo expects from its students the highest standards of scholarly conduct. The University community asserts that the reputation of the institution depends on the integrity of both faculty and students in their academic pursuits and that it is their joint responsibility to promote an atmosphere conducive to such standards.

For a complete explanation of what constitutes academic dishonesty and procedures regarding an academic dishonesty incident, see the AUC Catalog.

**Other Policies that will be Implemented in Class:**

1) Make up exams will not be allowed. The instructor may consider make ups for some exams, if he sees necessary.
2) A student who copies a homework assignment from another student both are given no grade, if this act is repeated both will be given zeros.
3) Assignments will be submitted on the day announced by the instructor. Late assignments will not be allowed without the prior consent of the instructor. In this case, instructor’s approval of late submission will not exclude a penalty.
4) **According to university rules all course requirements must be fulfilled. In this course submission of the solutions to all assignments is a necessary condition of course fulfillment. The instructor reserves his right to give Incomplete grade to students who did not submit at least 60% or more of the assignments.**
5) Students are encouraged to solve the assignments by applying relevant computer software.
6) University rules have to be observed, particularly with respect to attendance, cheating and use of mobile phones. Ringing mobile phones during class time will lead to loss of points of the class attendance and participation grade.
Schedule and Subjects to be Covered:

Reading Assignments:

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Subject</th>
<th>Session</th>
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</thead>
<tbody>
<tr>
<td>6</td>
<td>Why NPV leads to better investment decisions?</td>
<td>3</td>
</tr>
<tr>
<td>7</td>
<td>Investment decisions with NPV</td>
<td>4</td>
</tr>
<tr>
<td>10</td>
<td>Capital budgeting and risk</td>
<td>2</td>
</tr>
</tbody>
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Exam I, Thursday, October 18, 2012

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Subject</th>
<th>Session</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Project analysis</td>
<td>2</td>
</tr>
<tr>
<td>12</td>
<td>Investment, Strategy and economic rents</td>
<td>3</td>
</tr>
<tr>
<td>16</td>
<td>How corporations issue securities?</td>
<td>1</td>
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Exam II, Monday, November 19, 2012

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Subject</th>
<th>Session</th>
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<tbody>
<tr>
<td>18</td>
<td>Does debt policy matter?</td>
<td>2</td>
</tr>
<tr>
<td>21</td>
<td>Understanding options</td>
<td>1</td>
</tr>
<tr>
<td>22</td>
<td>Valuing options</td>
<td>1</td>
</tr>
<tr>
<td>23</td>
<td>Real options</td>
<td>2</td>
</tr>
<tr>
<td>26</td>
<td>Capital Lease</td>
<td>1</td>
</tr>
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Research projects will be submitted on Monday, December 10th, 2012

Date and time of presentations of the projects will be Tuesday, December 11th, 2012 from 9:00am -1:00 pm.

Final Exam (Comprehensive)

Date: Saturday, December 15, 2012, from 11:30-1:30 pm.
**What is accreditation?**
Accreditation refers to a voluntary, non-governmental action taken by an institution to undergo periodic external evaluation in order to maintain high quality standards and programs. Accreditation reviews generally involve steps taken by the university to self-evaluate and clarify its goals and missions. Reviews are also often comprehensive; they assess all components of a healthy program: (a) people – administration, faculty, staff, and students; (b) research and intellectual contributions; (c) courses and curricula; and (d) strategic planning.

**What is AACSB Accreditation?**
The Association to Advance Collegiate Schools of Business (AACSB) is the largest and most recognized specialized accreditation worldwide for business degree programs. In a recent study, 93% of a sample of 305 deans from AACSB-accredited and in-process institutions from Asia, Europe, North America, South America, and the Oceania reported that AACSB Accreditation has a continuous positive effect on their ongoing curricula development, program design, and delivery methods. Having AACSB accreditation facilitates the recruitment of high-caliber faculty. Graduating from an AACSB accredited university opens doors to the most exclusive and competitive career opportunities worldwide.

To read more about the benefits of attending an AACSB accredited university online, go to: [http://www.aacsb.edu/aacsb-accredited/students.asp#null](http://www.aacsb.edu/aacsb-accredited/students.asp#null)