

Corporate Finance, Module 13, "Corporate Financing"

Readings for Ninth Edition

(The attached PDF file has better formatting.)

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The page numbers here are for the *ninth* edition of Brealey and Myers. You may also use the seventh or eighth editions of this text. The page numbers for the seventh and eighth editions are in separate postings.

{The Brealey and Myers textbook is excellent. We say to read certain sections and to skip others. This does not mean that certain sections are better; it means that the homework assignments and exam problems are based on the sections that you must read for this course. Some of the skipped sections are fascinating, but they are not tested.}

Skip section 15.1 on pages 386-389; these are historical facts that are good to know but will not be tested on the final exam and are not needed for the homework assignments.

Read section 15.2 (Common Stock) on pages 390-395, skipping the last two subsections on pages 395-396 ("Equity in disguise" and "Preferred stock") and the "Contest over voting rights" story on page 394. The first part of this section is facts; focus on "ownership of the corporation" (pages 390-392) and "voting procedures" (pages 392-395).

Read section 15.3 (Debt) on pages 396-399. Skip the two subsections "Debt by any other name" and "Variety's the spice of life" on page 399. The fundamental question for the firm is how much to borrow; this is the subject of the modules on capital structure. Know also the five associated (secondary) questions on pages 397-399.

Read section 15.4 (Financial Markets and Institutions) on pages 400-402 and the summary on pages 402-403. Insurers are financial intermediaries, and this section is particularly relevant to actuaries working in corporate positions with large insurers.

This module is non-mathematical, and the readings are interesting; the same is true for the next module. The following modules are more mathematical and become increasingly difficult as we move to capital structure and real options.