

Corporate Finance, Module 14, "The Capital Markets"

Readings for Ninth Edition

(The attached PDF file has better formatting.)

Updated: November 19, 2007

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.}

Read section 16.1 (Venture capital) on pages 408-412; the Marvin Enterprises illustration is used in several chapters of the text. Read section 16.2 (the initial public offering) on pages 412-417, until "Costs of a New Issue." Skip the rest of this section, including the sidebar on page 418: "How Scandal Hit the Investment Banking Industry." Understanding IPO's is important for an actuary working with a small, newly financed insurer; Brealey and Myers give a clear overview. There are potential gains and losses for all parties in an IPO; setting the optimal issue price is an important but difficult decision in which actuaries are often involved.

Skip section 16.3 (Other new-issue procedures) on pages 422-424. Read section 16.4 (Security sales by public companies) on pages 424-425 and 425-429, skipping the subsection on international security issues on page 525. Skip section 16.5 on page 430, but read the summary on pages 430-431. *Skip* the appendices on pages 436-439.

The first 14 modules of this course discuss the relatively non-technical issues of corporate finance; the remaining modules deal with the more mathematical issues of dividend policy, capital structure, options, and real options.