

Corporate Finance, Module 13, "Corporate Financing"

*Corporate finance module 13: Readings for Tenth Edition*

(The attached PDF file has better formatting.)

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The page numbers here are for the *tenth* edition of Brealey and Myers. You may also use the seventh, eighth, or ninth editions of this text. The page numbers for earlier editions are in separate postings. The substantive changes in the textbook are slight among these editions, but the final exam problems are based on the tenth edition.

{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 14.1 on pages 341-344; 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 14.2 (Common Stock) on pages 347-350, skipping the last three subsections on pages 349-350 ("Dual Class Shares," "Equity in disguise," and "Preferred stock") and the "Contest over voting rights" on page 348. The first part of this section is facts; focus on "ownership of the corporation" (pages 346-347) and "voting procedures" (page 347).

Read section 14.3 (Debt) on pages 351-353. Skip the two subsections "Debt by any other name" and "Variety's the spice of life" on pages 353-354. The fundamental question for the firm is how much to borrow; this is the subject of the modules on capital structure. Know the four associated questions on pages 352.

Read section 14.4 (Financial Markets and Institutions) on pages 354-357 and the summary on pages 357-358. 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 subsequent modules are more mathematical and become increasingly difficult as we move to capital structure and real options.

Review problem 10 on page 360.