

## Corporate Finance, Module 13, "Corporate Financing"

### *Corporate finance module 13: Readings for Eleventh Edition*

(The attached PDF file has better formatting.)

The page numbers here are for the *eleventh* edition of Brealey and Myers. You may also use the seventh, eighth, ninth, or tenth 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 eleventh 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 348-350; 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 351-353, skipping the last three subsections on pages 354-356 ("Dual Class Shares," "Equity in disguise," and "Preferred stock") and the "Contest over voting rights" on page 353. Focus on pages 351-352, which deal with ownership of the corporation, and pages 352-353, "voting procedures."

Read section 14.3 (Debt) on pages 355-358. Skip the two subsections "Debt by any other name" and "Variety's the spice of life" on pages 358-359. A fundamental financing question for the firm is how much to borrow; this is the subject of the modules on capital structure. Know the five associated questions on pages 356-358.

Read section 14.4 (Financial Markets and Institutions) on pages 359-364. Insurers are financial intermediaries, and this section is particularly relevant to actuaries working in corporate positions with large insurers.

Section 14.5 deals primarily with the financial crisis of 2007-2009, giving a reasonable interpretation of the causes. You may find it interesting, but the final exam does not test the causes of the financial crisis.

Read the summary on page 368. This module and the next module are non-mathematical, and the readings are interesting. Subsequent modules are more mathematical and become increasingly difficult as we move to capital structure and real options.

Review problem 10 on page 370. The final exam asks similar questions.