

UNIVERSITY OF PENNSYLVANIA
The Wharton School

FNCE 611

Fall 2012
Tu., Th., G06 JMHH
9am, 10:30am, 1:30pm

Sections 1, 2 and 3
Corporate Finance

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Outline: This course is intended to provide a market-oriented framework for analyzing the major types of financial decisions made by corporations. Lectures and readings will provide an introduction to present value techniques, capital budgeting principles and problems, asset valuation, the operation and efficiency of financial markets, the financial decisions of firms, and derivatives.

Books: The required book for this course is **Principles of Corporate Finance 10/e** by Brealey, Myers and Allen (McGraw Hill 2011). The book is a good reference in a number of subsequent finance courses. It is supplemented with an online problem tool called Connect that enables you to work practice problems entirely online and get them auto graded. The UPenn Bookstore is offering a number of purchasing options with or without a Connect plus access code as follows:

Option 1 Package ISBN #: 978-007-801145-0 or 007-8011450. The Bookstore retail price is around \$216. This package contains the standard loose-leaf, 3 hole punched version of the 10/e textbook and a Connect plus access code. Once you register you will receive access to the practice problems and an e-book for 180 days. To do this, go to the Fall 2012 MBA Corporate Finance FNCE 611 Connect access URL:

http://connect.mcgraw-hill.com/class/f_allen_fnce611_fall_2012

Click on “register now,” enter your UPenn e-mail and enter the “Registration Code” from the Connect plus access code which came packaged with the loose-leaf book. You can begin working on the auto graded practice problems and receive access to the e-book.

Option 2 Package ISBN # 978-007796991-2 or 007-796991-X. The Bookstore retail price is around \$182. This package contains the standard loose-leaf, 3 hole punched version of the 10/e textbook and a printed supplement. This printed supplement contains chapters 1-22 from the study guide and 1-22 from the printed student solutions manual, and is referred to as the “Wharton supplement.” If you prefer working the problems and analyzing the solutions and study hints in print format this is the best option. It does not include a Connect plus access code.

Option 3 Package ISBN #978-007792578-9 or 007-792578-5. The Bookstore retail price is \$219. This package contains the standard hardback version of the 10th edition with the Wharton supplement. It does not include a Connect plus code.

The Bookstore is also selling both new and used hardcopies of the textbook. In this case, and also with Options 2 and 3, or even without a copy of the book, it is possible to buy Connect plus

separately by going to the course URL above and selecting either “Connect” (no e-book) for \$49.99 or “Connect plus” (includes the e-book) for \$112.

If you encounter any registration issues with Connect plus you should contact the Customer Experience group at 1-800-331-5094.

We will be discussing the Eurozone crisis as it develops. You may find the following short e-book useful. It can be downloaded for free at <http://finance.wharton.upenn.edu/FIC/FICPress>.

F. Allen, E. Carletti, and S. Simonelli, *Governance for the Eurozone: Integration or Disintegration?* (Philadelphia: FIC Press, 2012).

Those of you with a limited exposure to finance can consult the glossary at the end of BMA for the financial terms used. For those who want more the following additional text may be useful.

J. Downes and J. E. Goodman, *Barron's Financial Guides: Dictionary of Finance and Investment Terms*, 7th edition (Barrons Educational Series, 2010).

The Bulk Pack for Quarter 1 can be purchased or downloaded from Study.net from Canvas. This contains problem sets, cases, example exams, and lecture notes for the first half of the course. All materials will be made available electronically on Canvas during the course. The Bulk Pack for Quarter 2 will be available in a few weeks.

Calculators and Spreadsheets: The recommended calculator is an HP 17bII+. Older equivalent models such as the HP 17BII or HP 19BII are acceptable. Other calculators such as the HP 10BII, HP 12C, TI BAII or equivalents will put you at a disadvantage in exams. They do not allow you to enter formulas and the old HP 12C is also slow. If you wish to use another calculator please come and see me to obtain a waiver. More advanced calculators or anything with download capabilities cannot be used. There will be a basic calculator review session on Friday, September 14 at 1:30-3:00pm in G06 JMHH. You will also need to know EXCEL at an elementary level for the cases. A brief introduction is posted on Canvas in the file EXCEL_Introduction.ppt.

Grading: There will be one midterm counting for 30% and one final counting for 40% of the course grade. The final will emphasize the material from the last half of the course. To allow you to recover from a poor midterm, if your overall score is improved by a weighting of 10% on the midterm and 60% on the final then that score will count instead. The problem sets will count for 15% of the grade. Finally, there will be two cases that will count for a total of 15%. If illness forces you to miss an examination, please contact me before the test.

Weekly Handout: There will be a handout each Thursday with administrative details. It is important to read this. If you are unable to pick it up from class, it can be obtained from Canvas.

Teaching Assistants: The details of the TA's office hours will be given in the first weekly handout.

Course Schedule, Readings and Due Dates: Note that the schedule for covering material in lectures is tentative. Because of questions we may sometimes run over or under the time allotted. If

anybody has a problem meeting a due date because of a religious holiday, please let me know as soon as possible. Extensions will be granted in such cases.

Obtaining Canvas Access for non-Wharton Students: Students who are enrolled in the class but who do not yet have a Wharton computing account may apply online at this site:
<http://accounts.wharton.upenn.edu>

QUARTER 1

Week 1:

Th: 9/6

Section 1: Introduction

Read Ch. 1 BMA

Section 2: The Objective Function for Corporations

Read Ch. 1 BMA

Week 2:

Tu: 9/11

Section 2 (cont.)

Th: 9/13

Section 3: Calculating Present Values

Read Ch. 2 BMA

Week 3:

Tu: 9/18

PROBLEM SET 1 DUE (There is an automatic extension for anybody who wants it because of Rosh HaShanah until Thu: 9/20)

Section 4: The Valuation of Bonds and Stocks

Read Chs. 3 and 4 BMA

Th: 9/20

Section 5: A Comparison of Investment Criteria

Read Ch. 5 BMA

Week 4:

Tu: 9/25

PROBLEM SET 2 DUE (There is an automatic extension for anybody who wants it because of Yom Kippur until Thu: 9/27)

Section 5 (cont.)

Section 6: Practical Aspects of the NPV Rule

Read Ch. 6 BMA

Th: 9/27

Section 6 (cont.)

Week 5:

Tu: 10/2

PROBLEM SET 3 DUE

Section 7: Measuring Risk

Section 7(i): Statistics Review

Section 7(ii): A Theory of Asset Pricing: Introduction

Th: 10/4

Section 7(iii): Mean-Standard Deviation Analysis

Section 7(iv): Diversification and Beta

Read Ch. 7 BMA and Reading for Section 7 on Canvas

Week 6:
Tu: 10/09 **PEACH CASE DUE BY 9am – UPLOAD TO CANVAS**
Section 8: The Capital Asset Pricing Model
Read Ch. 8 BMA

Th: 10/11 Section 8 (cont.)

Week 7:
Tu: 10/16 **PROBLEM SET 4 DUE**
Section 9: Capital Budgeting and the CAPM
Read Chs. 9 and 11 BMA

Th: 10/18 Exam Week for MBA Core – No class
Tu: 10/23 Exam week for MBA Core – No class

QUARTER 2

Week 1
Th: 10/25 Review session during regular class

Week 2:
Mon: 10/29 **MIDTERM EXAM 6:15-7:45pm**

Tu: 10/30 **NO PROBLEM SET DUE**
Section 10: Market Efficiency
Read Ch. 13 BMA

Th: 11/1 Section 10: Market Efficiency (cont.)
Section 11: Issuing Securities
Read Chs. 14 and 15 BMA

Week 3:
Tu: 11/6 **PROBLEM SET 5 DUE**
Section 11: Issuing Securities (cont.)

Th: 11/8 Section 12: Payout Policy
Read Ch. 16 BMA

Week 4:
Tu: 11/13 **PROBLEM SET 6 DUE**
Section 12: Payout Policy (cont.)
Section 13: Capital Structure
Read Chs. 17 and 18 BMA

Th: 11/15 Section 13: Capital Structure (cont.)

Week 5:

Tu: 11/20

PROBLEM SET 7 DUE

Section 13: Capital Structure (cont.)

Section 14: Investment and Financing Decisions

Read Ch. 19 BMA

Th: 11/22

No class: Thanksgiving Holiday

Week 6:

Tu: 11/27

PROBLEM SET 8 DUE

Section 14: Investment and Financing Decisions (cont.)

Section 15: Valuation

Read Ch. 19 BMA

Th: 11/29

Section 15: Valuation (cont.)

Section 16: Risk Management and Pricing Derivatives

Read Chs. 20 and 21 BMA

Week 7:

Tu: 12/4

VALUATION CASE DUE BY 9am – UPLOAD TO CANVAS

Section 16: Risk Management and Pricing Derivatives (cont.)

Th: 12/6

Case presentations

We: 12/12

FINAL EXAM: 9:00-11:00am

Ethics Matrix

FNCE 611 Corporate Finance	Materials							People				
	Approved calculator	Laptop / other electronics	Formula sheet	Textbook/ class notes	Past notes / summaries	Past exams / assignments	Internet content / other outside materials	Group	Other student(s) in same section	Student(s) in other sections (same term)	Wharton student not taking the class this term	Person outside of Wharton
Problem Sets	A	A		A		A		T ¹	D	D	D	D
Graded Cases	A	A		A		A		A ²				
Exam Prep	A	A		A		A		A	A	A	A	A
Midterm Exam	A		P									
Final Exam	A		P									
	A = Allowed material P = Provided Shaded Cell = Not allowed							A = Allowed T = Try alone first then discussion allowed D = Discussion of general concepts and procedures is allowed Shaded Cell = Not allowed				
Other comments:												
(1) Study group for problem sets can be with any students in the course. They do not need to be in the same section. (2) Group for the first case can be 1-3 people. For the second case you can have up to 3 people but are strongly advised not to do it on your own.												
The information above covers many common situations but will not cover every circumstance. Remember: The Wharton MBA Code of Ethics that you accepted requires, among other things, that you represent yourself and your work honestly, don't try to gain unfair advantage over other students, follow the instructor's guidelines and respect confidentiality of your work and the work of others. Should you have questions, please contact your ethics liaison or professor.												