

## **FNCE 100: Corporate Finance, Fall 2013**

Professor David Wessels

Department of Finance, the Wharton School

This course will focus on the fundamentals of corporate finance. The course will be segmented into three distinct modules: financial analysis & capital budgeting, risk and return in the capital markets, and capital structure.

- **Financial Analysis & Capital Budgeting.** We start the course by examining how companies measure and manage their financial performance. This includes financial benchmarking using ratio analysis and cash flow assessment. We next move to the tools of discounted cash flow, net present value, and capital allocation. The module ends with advanced capital budgeting tools, including sensitivity analysis and simulation.
- **Risk, Return, and Capital Markets.** In the second module, we examine how capital markets work and how investors assess risk and return. We focus on three models of risk and return, the capital assets pricing model (CAPM), the Fama-French three factor model, and the arbitrage pricing theory (APT). We conclude the module with a discussion of market efficiency and whether investors can “beat the market.”
- **Valuation, Capital Structure, and Payout Policy.** In the final module, we examine the intersection between the company and the capital markets. The section starts by deriving the weighted average cost of capital, the most frequently used method for valuation and risk assessment. We next look to the optimal mix of financing, including how to assess the appropriate mixture of debt and equity. The section concludes with a discussion of payout policy.

By the end of this course, you should have a base line understanding of how finance is practiced by CFOs and investors alike!

## Textbook & Reader

This course will use the following text: Corporate Finance (10th edition), by Ross, Westerfield, and Jaffe. If you have a previous edition - you can use it - since the fundamentals of finance do not change drastically year-to-year. I do however, recommend borrowing a copy from a friend and comparing chapter numbers and skimming for content differences.

## Classroom Expectations

Please bring three items to EVERY class: your name tent, the lecture's notes (please remember, we often carry a given chapter from one class to the next), and a basic calculator. As the quarter progresses, please remain diligent. I tend to be relentless with those who come to class empty-handed.

## Teaching Assistants & Office Hours

We have five amazing TAs for this course, all top students from last year. Since they also take full-time classes, please use e-mail sparingly – and certainly not late night before an exam! Instead, use office hours whenever possible. We will be holding office hours on Monday through Wednesday from 6 to 7pm in SHDH 2300/2400. On Thursday and Friday, we will hold a one hour “problem set review,” which is optional. The review will cover a handful of problems designed by the teaching assistants. Solutions will be provided for those who attend. Office hours as follows:

## Office Hours & Problem Set Review Schedule

<b>Day</b>	<b>Time</b>	<b>Teaching Assistant</b>	<b>Location</b>	<b>Type</b>
Monday	6pm	Sam Yang	TA Cubes	Office
Tuesday	6pm	Ankit Vaish	TA Cubes	Office
Wednesday	6pm	Ryan Matter	TA Cubes	Office
Thursday	5pm	Graeme Stahl	SHDH 1203	Problem Review
Friday	11 am	Frank Ragusa	SHDH 211	Problem Review

If you must use e-mail, please email your primary TA first. Your primary TA is determined by the first letter of your last name:

### Primary TA

<u>Name</u>	<u>Email</u>	<u>Primary TA</u>
A-E	rmatter	Ryan Matter
F-I	ragusaf	Frank Ragusa
J - L	gstahl	Graeme Stahl
M-R	ankitv	Ankit Vaish
S-Z	samuelya	Sam Yang

The TAs will keep me apprised of common questions, and I will post responses to canvas when necessary. I will hold office hours from 10-12pm on Wednesdays in 2422 SHDH to answer questions about the lecture notes only. All problem sets, group work and sample exams will only be addressed by the teaching assistants. Due to prior conflicts, I will not be holding office hours on days with speakers and/or exams.

### Grading Policy, Assignments, and Exams

The course will have three problem sets (15% of your final grade), three group projects (15%), and three exams (60%). To determine your final grade, one exam will be eliminated to maximize your class rank (while holding others constant).

- **Assignments.** You must complete the problems sets on your own, with NO coordination. For group work, please self-select groups of between 3-5 people, no exceptions (if you have six people, create two groups of three). Groups can be formed across sections. If you cannot find a group by September 16, please e-mail your primary TA for assistance.
- **Exams.** The course will have three exams in class, and no final. The exams will focus on a particular module, and will only be cumulative only in the sense that concepts tend to

build upon one another. To prepare for exams, please use the problems in the back of the course textbook. I will use the textbook problems as guidance to write each exam!

Since only two exams will be used to determine your final grade, no makeup exams will be administered for any absence, including illness. "Makeup exams" will only be administered for those who have three exams in one day per university policy. Please notify your lead TA if you need to take the makeup exam.

- **Class participation.** Class participation will not formally be scored, but students at the grading cutoffs will be evaluated for their ability to generate an active and positive class environment.

The assignment/exam due dates will be as follows:

#### Important Dates

Due Date	Type	Assignment
9/23/2013	Group	Competitive benchmarking presentation
9/30/2013	Problem Set	Capital budgeting problems
10/7/2013	Exam	<b>Exam 1</b>
10/16/2013	Group	The Investor's Portfolio: Risk and Return
10/28/2013	Problem Set	Asset pricing models
11/4/2013	Exam	<b>Exam 2</b>
11/18/2013	Group	Valuation Project
12/2/2013	Problem Set	Capital structure and levered beta
12/9/2013	Exam	<b>Exam 3</b>

Assignments are due at NOON and should be uploaded directly into canvas. If you have problems uploading to canvas, please contact the courseware team during regular business hours at: [courseware@wharton.upenn.edu](mailto:courseware@wharton.upenn.edu).

**Regrade policy.** All regrade requests must be submitted in TYPE and delivered to the SHDH 2300/2400 front desk within one week of distribution. For exams, please do not put your name on the regrade request; use only your PennID number.

**Academic Integrity.** I expect you to follow Penn's code of academic integrity when completing problem sets, group work, and exams. Allegations of impropriety should be brought directly to me, which in turn will be referred to the University Honor Council. For more, see:

[http://www.upenn.edu/academicintegrity/ai\\_codeofacademicintegrity.html](http://www.upenn.edu/academicintegrity/ai_codeofacademicintegrity.html)

**FNCE 100, Professor David Wessels**

Course Schedule

					RWJ
Class	Date	Section	Note	Topic	Chapter
1	8/28/2013	Module 1:	1	Introduction to the Firm	1
2	9/4/2013	Financial	2	Competitive Benchmarking: Operations	3
3	9/9/2013	Analysis &	3	Competitive Benchmarking: Financing	26
4	9/11/2013	Capital	4	The Accountant's Cash Flow Statement	2
5	9/16/2013	Budgeting	5	Discounted Cash Flow & Formulas	4
6	9/18/2013		6	Net Present Value and IRR	5
7	9/23/2013		7	Capital Budgeting	6
8	9/25/2013*		n/a	<b>Evening Speaker (no day class):</b>	n/a
9	9/30/2013		8	Sensitivity Analysis	7
10	10/2/2013	Module 2: Risk,	1	Fixed Income Markets	8
11	10/7/2013*	Return, and	n/a	<b>In-Class Exam: Module 1</b>	n/a
12	10/9/2013	Capital Markets	2	Risk and Return: Statistics	10
13	10/14/2013		3	Risk and Return: Portfolio Theory	11.1 - 11.7
14	10/16/2013		4	Risk and Return: CAPM	11.8 - 11.9
15	10/21/2013*		5	<b>Evening Speaker (no day class):</b>	n/a
16	10/23/2013		n/a	Testing the CAPM & Market Efficiency	14
17	10/28/2013		6	Alternative Risk and Return: APT	12
18	10/30/2013	Module 3:	1	Corporate Valuation Using WACC	13
19	11/4/2013*	Valuation,	n/a	<b>In-Class Exam: Module 2</b>	
20	11/6/2013	Capital Structure,	2	Capital Structure: Levered Beta	16
21	11/11/2013	and Dividend	3	Capital Structure: Taxes and Distress	17
22	11/13/2013	Policy	4	Adjusted Present Value	18
23	11/18/2013		5	Dividends and Share Repurchases	19
24	11/20/2013*		6	<b>Evening Speaker (no day class):</b>	n/a
25	11/25/2013		7	Introduction to Options	22
26	12/2/2013		8	Options Valuation	23
27	12/4/2013	Course Review	n/a	Catch-Up / Course Review	n/a
28	12/9/2013		n/a	<b>In-Class Exam: Module 3</b>	n/a