

UNIVERSITY OF PENNSYLVANIA
The Wharton School

FNCE 611

Fall 2013
Tu., Th., 350 SH-DH
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 11/e** by Brealey, Myers and Allen (McGraw Hill, 2014). Many of the chapters we don't cover are referenced in subsequent finance courses. It is supplemented with an online homework assignment and assessment tool called Connect that enables you to work practice problems from the back of the chapters which get 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 #: 978-007773656-9. This package contains the hardback version of the 11/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 2013 MBA Corporate Finance FNCE 611 Connect access URL below:

http://connect.mcgraw-hill.com/class/f_allen_fnce611_fall2013

Click "register now" enter your UPenn e-mail and the "Registration Code" from the Connect plus access code which came packaged with the book and complete the registration process. You'll have immediate access to the auto graded practice problems and e-book.

Option 2 Package ISBN #: 978-007772495-5. This package contains the standard loose-leaf, 3 hole punched version of the 11/e textbook. It is somewhat cheaper than the hardback option and includes a "Connect plus" access code described in Option 1.

Option 3 If you decide to purchase or rent the 11th edition textbook you can purchase access to Connect (no e-book) for \$50 or Connect plus (includes the e-book) for \$125 directly from the URL above.

The Bookstore is also selling both new and used hardcopies of the textbook.

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

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 obtained 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.

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>

Calculators and Spreadsheets: The recommended calculator is an HP 17bII+. 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. 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 6 from 1:30-3:00pm in 351 SH-DH. 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.

QUARTER 1

Week 1:

Tu: 8/27

Section 1: Introduction

Read Ch. 1 BMA

Section 2: The Objective Function for Corporations

Read Ch. 1 BMA

Thu: 8/29 Section 2 (cont.)

Week 2:
Tu: 9/3 **PROBLEM SET 1 DUE**
Section 3: Calculating Present Values
Read Ch. 2 BMA

Th: 9/5 Section 4: The Valuation of Bonds and Stocks
Read Chs. 3 and 4 BMA

Week 3:
Tu: 9/10 **PROBLEM SET 2 DUE**
Section 5: A Comparison of Investment Criteria
Read Ch. 5 BMA

Th: 9/12 Section 5 (cont.)
Section 6: Practical Aspects of the NPV Rule
Read Ch. 6 BMA

Week 4:
Tu: 9/17 **PROBLEM SET 3 DUE**
Section 6 (cont.)

Th: 9/19 Section 7: Measuring Risk
Section 7(i): Statistics Review
Section 7(ii): A Theory of Asset Pricing: Introduction

Week 5:
Tu: 9/24 **PROBLEM SET 4 DUE**
Section 7(iii): Mean-Standard Deviation Analysis
Section 7(iv): Diversification and Beta
Read Ch. 7 BMA and Reading for Section 7 on Canvas

Th: 9/26 Section 8: The Capital Asset Pricing Model
Read Ch. 8 BMA

Week 6:
Tu: 10/1 **TOLLHOUSE COOKIE CASE DUE BY 9AM – UPLOAD TO
CANVAS**
Section 8 (cont.)

Th: 10/3 Review session for midterm during regular class

Week 7:
Mo: 10/7 **PROBLEM SET 5 DUE AT 6PM – UPLOAD TO CANVAS OR DROP OFF AT 2306 SH-DH**

Tu: 10/8 Start of MBA Core Reading Days – No classes until 10/22

We: 10/16 **MIDTERM EXAM** 6:00pm-7:30pm

QUARTER 2

Week 1:
Tu: 10/22 Section 9: Capital Budgeting and the CAPM
Read Chs. 9 and 11 BMA

Th: 10/24 Section 10: Market Efficiency
Read Ch. 13 BMA

Week 2:
Tu: 10/29 **PROBLEM SET 6 DUE**
Section 10: Market Efficiency (cont.)
Section 11: Issuing Securities
Read Chs. 14 and 15 BMA

Th: 10/31 Section 11: Issuing Securities (cont.)

Week 3:
Tu: 11/5 **PROBLEM SET 7 DUE**
Section 12: Payout Policy
Read Ch. 16 BMA

Th: 11/7 Section 12: Payout Policy (cont.)
Section 13: Capital Structure
Read Chs. 17 and 18 BMA

Week 4:
Tu: 11/12 **PROBLEM SET 8 DUE**
Section 13: Capital Structure (cont.)

Th: 11/14 Section 13: Capital Structure (cont.)
Section 14: Investment and Financing Decisions
Read Ch. 19 BMA

Week 5:
Tu: 11/19 **PROBLEM SET 9 DUE**
Section 14: Investment and Financing Decisions (cont.)
Section 15: Valuation
Read Ch. 19 BMA

Th: 11/21 Section 15: Valuation (cont.)

Week 6:

Tu: 11/26

Thanksgiving Holiday Week – No class

Th: 11/28

Thanksgiving Holiday – No class

Week 7:

Tu: 12/3

VALUATION CASE DUE BY 9AM – UPLOAD TO CANVAS

Section 16: Risk Management and Pricing Derivatives

Read Chs. 20 and 21 BMA

Th: 12/5

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

Case presentations

Th: 12/19

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.												