

Corporate Finance (Honors)
Finance 100
Sections 301 and 302
The Wharton School, University of Pennsylvania
Fall 2015

Course Description

The purpose of this course is to introduce techniques of financial analysis, with applications to corporate finance. The concepts developed in Finance 100 form the foundation for all elective finance courses. The main topics covered include (1) the time value of money and the net present value rule; (2) valuation of bonds and stocks; (3) capital budgeting decisions; (4) uncertainty and the tradeoff between risk and return; (5) corporate financing decisions; and (6) options. The honors sections will take a more analytical and quantitative approach compared to other sections, and will cover some topics in more depth.

Professor

Liyan Yang
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Teaching Assistants

Theodore Caputi
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Jack Fenton
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Course Material

- Required: Course notes (ppt), sample questions, and past exams available on Canvas: <https://canvas.upenn.edu>.
- Recommended: S. Ross, R. Westerfield and J. Jaffe, Corporate Finance, 10th Edition, McGraw-Hill Irwin, 2013. (Referred to as RWJ in course outline.) [Available as a paperback with selected chapters.]
- A scientific or business calculator. It will be necessary for your calculator to have a x^y function.

Problem Sets

Problem sets are due on the day given in the syllabus. You will be rewarded full credit on the problem set if you have made a good-faith effort to answer all of the questions, and if you hand in the problem set on time. Late problem sets will not be accepted.

Grading

Your grade for the course will be based on two in-class quizzes, a final exam, and four assignments. The course grade is determined as follows:

$$\text{Grade} = 0.25 \times \text{Midterm1} + 0.25 \times \text{Midterm2} + 0.40 \times \text{Final} + 0.10 \times \text{Assignments}.$$

The midterms are non-cumulative, but the final exam is cumulative. You will be allowed one double-sided page of notes for the midterms and two double-sided pages of notes for the final exam. Class participation can help determine the grade if the student is on the margin between grades.

Exam Schedule:

- Midterm Exam 1: Wednesday, October 14, in class.
- Midterm Exam 2: Monday, November 23, in class.
- Final Exam: TBA

Note that there will not be any make-up exams except as required by university policy.

All regrade requests must be made in writing within one week of the day the exams are returned. Any exam submitted for regrading of a question can be subjected to a complete regrading. Any exam submitted for re-grading will be subject to a complete re-grading. As a result, your grade may increase, stay the same, or decrease.

Study Groups

You are encouraged to work in groups on the problem sets, but you must hand in your own answers. It is also highly recommended that you regularly review the readings and class notes with your study group.

Office Hours

Liyan Yang: Mondays 12:00–1:00pm in SHDH 2432

Note: It is my policy not to answer questions about problem sets before they are due. Please look at the solutions before asking questions about a problem set after it is due, since you may find the answer to your question there. Changes to office hour times and locations in any given week will be posted on Canvas.

Theodore Caputi: TBA

Jack Fenten: TBA

Course Schedule

Notes: RWJ denotes optional textbook readings. Readings in brackets are optional. Please see Canvas for lecture notes (ppt) and related materials. Dates are approximate.

Wed. 08/26	Topic 1: Fisher Separation Theorem and NPV Rule RWJ: [1–3], 4.1	
Mon. 08/31	Topic 1 (Cont.)	
Wed. 09/02	Topic 02: Present Value, Annuities, and Perpetuities RWJ: 4.2–4.4 [4.5, 4.6]	
Wed. 09/09	Topic 02 (Cont.)	
Mon. 09/14	Topic 03: Bond Valuation and Term Structure Theory RWJ: [8]	PS1 Due
Wed. 09/16	Topic 03 (Cont.)	
Mon. 09/21	Topic 04: Equity Valuation RWJ: 9	
Wed. 09/23	Topic 04 (Cont.)	
Mon. 09/28	Topic 05: Capital Budgeting RWJ: 6.1–6.5	PS2 Due
Wed. 09/30	Topic 05 (Cont.)	
Mon. 10/05	Topic 06: NPV vs. IRR Rules RWJ 5.1, 5.4, 5.5, [5.7]	
Wed. 10/07	Topic 06 (Cont.)	
Mon. 10/12	Midterm1 Review	
Wed. 10/14	Midterm 1	
Mon. 10/19	Topic 07: Risk and Return RWJ: 10.1–10.6, [10.7, 10.8]	
Wed. 10/21	Topic 08: Portfolio Theory RWJ: 11	

Course Schedule (Continued)

Mon. 10/26	Topic 08 (Cont.)	
Wed. 10/28	Topic 08 (Cont.)	PS3 Due
Mon. 11/02	Topic 09: Capital Asset Pricing Model (CAPM) RWJ: 11.8, 11.9	
Wed. 11/04	Topic 09 (Cont.) RWJ: 13.1–13.4	
Mon. 11/09	Topic 10: Market Efficiency RWJ: 14.1–14.4, [14.5], 14.6, [14.7–14.8]	
Wed. 11/11	Topic 11: Capital Structure RWJ: 16.1, [16.2], 16.3, 16.4	PS4 Due
Mon. 11/16	Topic 11: Capital Structure (Cont.) RWJ: 16.5, 17.1, 17.2, 17.4, [17.5–17.10]	
Wed. 11/18	Topic 12: Valuation and Capital Budgeting with Leverage RWJ: 18.1, [18.2], 18.3–18.7	
Mon. 11/23	Midterm 2	
Mon. 11/30	Topic 13: Option Definitions and Strategies RWJ: 22.1–22.4, [22.5], 22.6	
Wed. 12/02	Topic 14: Option Valuation RWJ: 22.7, 22.8, [22.9–22.10]	
Mon. 12/07	Topic 14: Option Valuation (Cont.) and Final Review	
