

UNIVERSITY of PENNSYLVANIA

Wharton School

Corporate Finance (FNCE100)

MARTIN
CHERKES

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Course Description

The purpose of this course is to introduce techniques of financial analysis, with emphasis on topics in the corporate finance area. The concepts developed in Fin 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) principles of capital budgeting; (4) uncertainty and the tradeoff between risk and return; (5) corporate financing and dividend policy decisions; (6) capital budgeting decisions under uncertainty; and (7) option valuation with application to corporate finance

Level of difficulty

This will be a demanding course: expect to spend 4-5 hours of preparations for every lecture hour. Books, dozens of articles and assignments will be part of your studies. It is an especially tough course for a novice, as many of your classmates know financial markets well.

Division of Labor: Remember that it takes two to tango- me to teach, and you to learn.

Class Participation

Students are expected to be prepared for every class and participate in class discussions; they should have completed any assigned reading, should have reviewed previous lectures and should be willing to answer questions.

Please ask questions during the lecture.

Should my presentation lack clarity, other students would be as confused as you are; your questions will perform a public service to them and to me!

I reserve the right to cold call on students during class. Active and constructive class participation will give you bonus points towards the final grade.

[Questions not related to the lecture materials will be relegated to office hours.]

Assignments

You will be assigned a number of problem sets [with first one is assigned on the

first day of classes]. Timely completion of assignments is instrumental to successful grasp of the course materials. Solutions to each problem set will be posted immediately after its due date, making late delivery of homework unacceptable under any circumstances.

Evaluation:

- The course grade will be based on two midterm exams, a final exam, and 12 home works. The weightings are:

· <i>Home works</i>	36%
· <i>Midterm Exam I</i>	15%
· <i>Midterm Exam II</i>	15%
· <i>Final Exam</i>	34%

Questions and Office Hours

You can ask questions by phone or in person. I have an open door policy: you are welcome to stop by my office without an appointment. Please make an appointment [via email] when you need more than 20 minutes of my time. I will also be available for questions or comments after each class. I welcome your feedback on every aspect of the course.

E-mail communications should be used for administrative issues only. Questions of substance should be raised in oral communications.

Administration

Handouts will be distributed in class.

I don't intend to be rigid, but I do expect you to show up for class on time.

Please do not use PCs PDAs and phones during the lectures.

Teaching Assistants TBA

Required Course Materials

S. Ross, R. Westerfield and J. Jaffe, Corporate Finance, 11th Edition, McGraw-Hill Irwin, 2016. (Referred to as RWJ in course outline.) [Older editions may be sufficient- but you will need to find the corresponding pages and chapters]

Suggested Course Materials

R. Brealey, S. Myers, and F. Allen, Principles of Corporate Finance, 11th Edition,

McGraw-Hill Irwin, 2014. (Referred to as BMA in course outline.)

T. Koller, M. Goedhart, and D. Wessels, Valuation: Measuring and Managing the Values of Companies (6th Edition), McKinsey and Company, 2015, published by John Wiley and Sons, Hoboken, New Jersey.

D. Kieso, J. Weygandt, and T. Warfield, Intermediate Accounting, 15th edition, John Wiley and Sons, 2013.

The Barron's Dictionary of Finance and Investment Terms is a useful reference book.

Malikel's classic "Random Walk Down Wall Street" is a good read!

Class	Date	Topic	Readings
1	Wed, Aug 31	Introduction	RWJ 1-3(optional)
2	Wed, Sept 7	Discounting	RWJ 4
3	Mon, Sept 12	Discounting	RWJ 4
4	Wed, Sept 14	Bond valuation	RWJ 8
5	Mon, Sept 19	Bond valuation	RWJ 8
6	Wed, Sept 21	Stock valuation	RWJ 9
7	Mon, Sept 26	Stock valuation	RWJ 9
8	Wed, Sept 28	Mid-term Review	
Friday , Sept 30		Mid-term I 10:30AM -noon	
9	Mon, Oct 3	<u>No regular class</u>	
10	Wed, Oct 5	NPV and other investment rules	RWJ 5
11	Mon, Oct 10	Capital Budgeting	RWJ 6
12	Wed, Oct 12	<u>No regular class</u>	RWJ 6, 7
13	Mon, Oct 17	Risk and return	RWJ 10
14	Wed, Oct 19	Capital asset pricing model	RWJ 11
15	Mon, Oct 24	Capital asset pricing model	RWJ 11
16	Wed, Oct 26	Capital asset pricing model	RWJ 11
17	Mon, Oct 31	Risk and cost of capital	RWJ 13
18	Wed, Nov 2	Market efficiency	RWJ 14
19	Mon, Nov 7	Mid-term Review	
20	Wed, Nov 9	Capital structure	RWJ 15
Friday, Nov 11		Mid-term II 10:30AM -noon	
21	Mon, Nov 14	Capital structure	RWJ 16
22	Wed, Nov 16	Capital structure	RWJ 17
23	Mon, Nov 21	Capital structure	RWJ 17
24	Mon, Nov 28	Valuation with leverage	RWJ 18
25	Wed, Nov 30	Options	RWJ 22
26	Mon, Dec 5	Options	RWJ 22, 23
27	Wed, Dec 7	Options	RWJ 23