

The Wharton School
University of Pennsylvania

FNCE 100: Corporate Finance

Prof. Vito D. Gala

Spring 2017

Office	2451 Steinberg Hall-Dietrich Hall
E-mail	vgala@wharton.upenn.edu
Phone	215-898-7514
Classes	Section 002: Mon/Wed 3:00pm-4:30pm, JMHH 260 Section 003: Mon/Wed 4:30pm-6:00pm, JMHH 260
Office hours	Wednesdays, 6:00pm-7:00pm, SH-DH 2451
Teaching assistants	Paul Rogofsky (ropa@wharton.upenn.edu) Brett Roston (rostonb@wharton.upenn.edu) James Lai (jameslai@wharton.upenn.edu) Matthew Lesser (lesserm@wharton.upenn.edu)
TA office hours (start 01/17/17)	Mon, 5:00pm-6:00pm, SH-DH 2305, Desk B Tue, 5:00pm-6:00pm, SH-DH 2305, Desk B Thu, 5:00pm-6:00pm, SH-DH 2305, Desk B Fri, 4:00pm-5:00pm, SH-DH 2305, Desk B

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 the time value of money and the net present value (NPV) rule, valuation of bonds and stocks, capital budgeting decisions, uncertainty and the trade-off between risk and return, corporate financing decisions, and options.

Course Materials

The required customized book for this course is entitled **FNCE-100 Corporate Finance w/Connect code, ISBN # 978-130899883-1**, and is only available from the UPENN bookstore for \$128. It includes only the chapters from **Corporate Finance**, by Ross, Westerfield, Jaffe and Jordan, 11th edition (RWJJ) you'll be responsible for and a pre-paid 20 digit Connect code number. Be sure to purchase the correct custom book as other sections of FNCE 100 might use a different custom book also published by McGraw-Hill. Directions to register for Connect are below.

Alternatively, if you're comfortable with learning from an eBook, you can purchase it online (no print book, but includes the complete eBook and access to all course content) at the Connect course URL below for \$130. Once purchased, you'll see also an option to purchase the standard 4 color, loose-leaf version of the textbook **Corporate Finance**, by Ross, Westerfield, Jaffe and Jordan, 11th edition for an additional \$60. To register for this option click the "**Buy online**" option directions below.

Registering for Connect

Connect is McGraw-Hill's online assignment and assessment software you will use to complete the graded homework assignments and work ungraded practice problems.

To register for Connect, copy and paste the following URL into a new browser window. Registration for the course opens on the first day of our class on January 11th:

<http://connect.mheducation.com/class/v-gala-spring2017>

Click "**Register Now**" and enter your e-mail. If you've used Connect in a previous course or concurrently in another one use that same e-mail address and password. If you purchased the custom book from the book store enter the 20 digit Connect code from the back of the book in the appropriate boxes and complete the registration process. You will have Connect access for 180 days.

If you are comfortable with just an eBook select '**Buy online**' (valid credit card required), and complete the registration process. This options costs \$130.

If you are not sure you intend to stay in the course, you can select the "**Start Courtesy Access**". This provides 14 days of complimentary access to Connect and the eBook. At the end of which you will need to enter either a 20 digit code from the bookstore package or select "**Buy online**". You **must** purchase full Connect access in order to maintain access to course assignments and materials. Any work you complete during the Courtesy Access will be saved.

FAQs, Tutorials, and Technical Support

Visit Connect Student Success Academy for FAQs and tutorials <http://www.connectstudentsuccess.com/>. If you need Technical Support (forgotten password, wrong code, etc.) please contact the McGraw-Hill Education Customer Experience Group (CXG) at 1-800-331-5094 or www.mhhe.com/support. Please be sure to get your case number for future reference if you contact the CXG line.

Course Web Page

Important course materials such as lecture notes, links to relevant articles, past exams, and other useful information will be available on the Canvas course web page. Lecture notes will be posted on Canvas before each class, so you can download them and print them in your desired format to take notes. Canvas website is the information center for the course. Please check the course website regularly. In particular, there will be discussion boards on Canvas where TAs and I will answer your questions.

Questions

If you have any questions you may come to either my office hours, or the TAs' office hours. Questions pertaining practice problems can also be posted directly to the Canvas discussion board. The TAs and I will monitor these boards frequently. This board helps ensure that all students have access to the same information, and it reduces the duplication of answers on our part. Please avoid using e-mail to ask practice exam related questions. If your question requires an elaborate answer, please come to the office hours.

Deadline for exam-related questions: To ensure fairness, there is a deadline for exam-related questions. We will answer questions that you send or post on Canvas by 6:00pm EST on the day before an exam. Questions sent or posted afterwards will not be answered until after the exam.

Grading

Code of Ethics

In every aspect of the course, students are required to adhere to the Code of Academic Integrity. Submitted assignments and exams should be your own work only. Cheating in any form is completely unacceptable. **Failure to observe this rule will result in severe penalties, such as an automatic failing grade for the course and referral to the Office of Student Conduct.** Please also refer to the Code of Academic Integrity.

Grade Decomposition

Your course grade will reflect your performance on Connect homework assignments and three exams, with the weights determined as follows:

Exam I	25%
Exam II	25%
Exam III	40%
Connect Assignments	10%

Connect Assignments & Practice Problems

There are six individual homework assignments in this course. Each *graded* assignment is to be completed on Connect before **11:59pm** on the dates specified in the class schedule provided below.

There are also *ungraded* practice problems available on Connect. These practice problems along with the individual homework assignments are structured to reinforce the major themes in the course material and to provide students with extra practice for the exams.

Exams

There are three mandatory exams. Exam I and Exam II are non-cumulative, but Exam III is cumulative. Exams are closed-book and closed-notes. You are allowed one double-sided page of notes for Exam I and Exam II, and three double-sided pages of notes for Exam III. Calculators are permitted. It will be necessary for your calculator to have a x^y function. Cell phones or laptops are not allowed during exams.

Exam Times

The first exam is scheduled for Wednesday, **February 15th, 2017**, the second exam is scheduled for Wednesday, **March 22nd, 2017**, and the third exam is scheduled for Wednesday, **April 19th, 2017**. The exam times are non-negotiable. Failure to take an exam will result in a score of zero absent any clear and reliable proof of absence for "illness, a death in the family, or some other unusual event" as per university policy. If a student is unable to take Exam I or Exam II, then Exam III will count for 65% of the course grade provided reliable proof of absence. If a student is unable to take Exam I and Exam II, then Exam III will count for 90% of the course grade provided reliable proof of absence. Exam III may be postponed in case of "illness, a death in the family, or some other unusual event". If such a circumstance arises, undergraduates must petition their dean's office for a makeup exam. The makeup exam date for Exam III follows University policy and will take place the following semester.

Re-grades

Grades are non-negotiable, and the quality of your written work is a matter left to the course instructor's judgment. You may request a re-grade on any exam written with a pen. Each re-grade request must be accompanied by a concise written explanation of the request and submitted to me within one week after the exams are graded. I will re-grade the whole exam, so your score can either increase or decrease as a result.

Attendance and Class Etiquette

Attendance is strongly encouraged but not monitored. While attendance is not required, you are responsible for all the material covered in class, as well as any announcements pertaining to the class that may not be included in the lecture slides. Given tight space constraints, it is important that you always attend the classes for the section for which you are registered. Classroom interaction will be conducted with professional courtesy and personal respect. Students are expected to keep exiting and entering during class to a minimum.

Laptop, PDA, and Other Electronic Device Usage: Students are expected to not use laptops, phones, or PDAs during class. However, electronic devices will be allowed for students that wish to take notes on them, but in this case, these students will need to get permission from me beforehand and then send me an e-mail copy of their typed notes after each lecture. Accessing e-mail or the Internet during class is not permitted as they can be distracting for others.

Schedule of Classes

The tentative class schedule is given below. The topics covered and the date in which they are covered may change as the semester progresses, but if this occurs, I will notify you of any changes. The readings refer to chapters in the 11th edition of Corporate Finance, by Ross, Westerfield, Jaffe and Jordan (RWJJ).

Class	Date	Topic	Readings	Assignments
1	Wed, Jan 11	Introduction	RWJJ, Ch. 1-3	
2	Wed, Jan 18	Discounting	RWJJ, Ch. 4	
3	Mon, Jan 23	Discounting	RWJJ, Ch. 4	
4	Wed, Jan 25	Bond valuation	RWJJ, Ch. 8	
5	Mon, Jan 30	Bond valuation	RWJJ, Ch. 8	
6	Wed, Feb 1	Stock valuation	RWJJ, Ch. 9	
7	Mon, Feb 6	Stock valuation	RWJJ, Ch. 9	HW 1 (due at 11:59pm on Connect)
8	Wed, Feb 8	NPV and other investment rules	RWJJ, Ch. 5	
9	Mon, Feb 13	Review Key Concepts		HW 2 (due at 11:59pm on Connect)
10	Wed, Feb 15	<u>Exam I</u> at 8pm (No regular class)		
11	Mon, Feb 20	Capital Budgeting	RWJJ, Ch. 6	
12	Wed, Feb 22	Capital Budgeting	RWJJ, Ch. 6-7	
13	Mon, Feb 27	Risk and return	RWJJ, Ch. 10	
14	Wed, March 1	Capital asset pricing model	RWJJ, Ch. 11	
15	Mon, March 13	Capital asset pricing model	RWJJ, Ch. 11	HW 3 (due at 11:59pm on Connect)
16	Wed, March 15	Risk and cost of capital	RWJJ, Ch. 13	
17	Mon, March 20	Review Key Concepts		HW 4 (due at 11:59pm on Connect)
18	Wed, March 22	<u>Exam II</u> at 8pm (No regular class)		
19	Mon, March 27	Market efficiency	RWJJ, Ch. 14	
20	Wed, March 29	Capital structure	RWJJ, Ch. 16	
21	Mon, April 3	Capital structure	RWJJ, Ch. 17	
22	Wed, April 5	Capital structure	RWJJ, Ch. 17	
23	Mon, April 10	Valuation with leverage	RWJJ, Ch. 18	
24	Wed, April 12	Options	RWJJ, Ch. 22	
25	Mon, April 17	Review Key Concepts		HW 5 (due at 11:59pm on Connect)
26	Wed, April 19	<u>Exam III</u> at 8pm (No regular class)		
27	Mon, April 24	Options	RWJJ, Ch. 22-23	
28	Wed, April 26	Options	RWJJ, Ch. 23	HW 6 (due at 11:59pm on Connect)