

# FINANCE 611: CORPORATE FINANCE

FALL 2017

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Office hours: By Appointment

**Course Website: Available on Canvas**

## **COURSE DESCRIPTION**

This course is an in-depth introduction to the foundations of finance with an emphasis on applications that are vital for corporate managers. We will discuss most of the major financial decisions made by corporate managers both within the firm and in their interactions with investors. Essential in most of these decisions is the process of valuation, which will be emphasized throughout the course. Topics include criteria for making investment decisions, valuation of financial assets and liabilities, relationships between risk and return, capital structure choice, payout policy, the effective use and valuation of derivative securities (futures, options, and convertible securities), and risk management.

## **COURSE MATERIALS**

### *Textbook*

The **required** textbook for the course is: Corporate Finance (plus MyFinanceLab), Jonathan Berk and Peter DeMarzo, 4<sup>th</sup> ed., Pearson - Prentice Hall

### *Slides*

PDFs of lecture slides are available on Canvas.

### *Cases*

Cases are available on Study.net, which is accessible via Canvas.

### *Additional Material*

Additional material (e.g., notes, supplemental exercises and material, etc.) will be made available on Canvas under Files.

## **ATTENDANCE AND PREPARATION**

Students are expected to attend all classes and arrive on time. I also ask that you avoid disrupting class by leaving early. You may miss one class without affecting your participation grade. Each missed class after that will lead to a reduction in your class participation grade by 25%. You are expected to come to class having read the required textbook sections and case when relevant. *Class time is for exploring and applying financial principles.*

## **CASES**

Students are encouraged to form groups of *no more than four* students for working the case. All group members must be in the same class. Neither the TAs nor I will answer any questions related to the cases prior to their discussion in class, as an essential element of these assignments is your ability to interpret information and work independently of any guidance. At the start of the class in which we discuss the case, you will be required to answer a few questions related to the case to test your knowledge and understanding of the case material.

## **HOMEWORK ASSIGNMENTS**

Homework assignments are available on MyFinanceLab. The assignment schedule is provided at the end of this syllabus below the class schedule. You must purchase access to this site and register for the course by entering the course code, “binsbergen31103”. You will receive two attempts at the homework. (You can re-take the homework assignment by undertaking “similar exercises” in MyFinanceLab. The same questions - with different numbers - will be offered.)

Neither the TAs nor I will answer any questions pertaining to the homework, as an essential element of the homework is your ability to work on the mechanics of finance independently of any guidance. If you miss the due date, which is clearly identified in MyFinanceLab, you will receive a zero.

For those looking for additional problems to test the understanding of the material, there are numerous additional problems available for study and practice on MyFinanceLab. I have also posted problem sets, and their solutions, on Canvas in the folder “Additional Problems.” There are also problems at the end of each chapter in the textbook, as well as problems scattered throughout each chapter.

## **EXAMS**

There is a midterm and a final exam. Both exams are open book and open electronics (e.g., calculator, tablet, laptop); however, any electronics must be in “airplane mode” and unable to communicate with other electronics (i.e., no Wi-Fi, Bluetooth, etc.).

The exam dates are provided in the Course Schedule attached to the end of this syllabus. There are no makeup exams. If you miss the midterm exam, regardless of the reason, your final score will be used in its place. If you miss the final exam, you will automatically fail the course. The only excuse for missing the final exam is a medical emergency, the validity of which will be verified by the University.

The best way to prepare for the exams is to come to class and participate, work the cases, and complete the homework assignments. For additional preparation, try the problems sets available in the “Additional Problems” folder on Canvas, the numerous problems available in MyFinanceLab, and the problems at the end of each chapter in the textbook.

## **GRADING**

Your course grade will be determined by your class participation (20%), case quizzes (20%), MyFinanceLab homework assignments (20%), midterm (20%), and final (20%). If your score on the final exam is greater than that on the midterm, I will replace your midterm score with your final score, which will then count for 40% of your grade. However, this substitution can only occur if you take the midterm and receive a minimum number of points to be determined at the time of the exam.

Class grades are determined using a class-wide (i.e., across all FNCE 611 sections) curve that respects any constraints imposed by the University or Wharton.

Students have exactly one week from the day that the graded midterm is distributed to request a regrade. The request must be attached to the exam and clearly state the reason(s) for the regrade. The only valid reason for a regrade is an error on my part. I will not debate the merits of my grading scheme. If the regrade request is accepted, I will regard the exam in its entirety. As a result, the revised score may go up, down, or stay the same.

I will schedule two days during the Spring semester during which you may view your final and discuss your grades. These days will be announced during the semester. Any concerns regarding final exam or course grade will be settled at that time.

### **COURSE ETIQUETTE**

Unless otherwise requested, please make sure any other electronics are shut off and put away. If you are caught using electronics in class I will reduce your course grade one full letter (e.g., A to B, B- to C-). If I catch you using them for a second time, I will Fail you from the course.

Students are expected to respect the University of Pennsylvania's Code of Academic Integrity ([http://www.upenn.edu/academicintegrity/ai\\_codeofacademicintegrity.html](http://www.upenn.edu/academicintegrity/ai_codeofacademicintegrity.html)) and to behave with integrity in all aspects of the course. Students are encouraged to discuss the cases and other content of the course with first-year MBA student in their own section and in other sections. However, students should not discuss the content related to the current day's class discussion or exam during the period between sections to avoid giving later sections an unfair advantage.

Violations of the honor code will be immediately reported to the administration.

### **FACULTY MEALS**

If you are interested in getting lunch, please sign up on Canvas. I have allocated many days during the semester and experience suggests that they are fun and a great way to get to know each other.

### **COMMUNICATING WITH ME**

The best way to contact me outside of the classroom is via email. Please do not ask me long, detailed questions about the course, or questions that (may) require a long, detailed response. I am happy to meet with students outside the classroom so email me to schedule an appointment.

Please let me know of any difficulties you may be having with the course as soon as possible. These difficulties may arise from the course itself, or external forces (e.g., other courses, personal issues). Regardless of the source, let me know as soon as possible so we can work together to avoid larger problems later. Wharton and the University offer a wide range of support services that are geared towards helping students.

## Tentative Schedule

Date	Class #	Topic	Readings	Cases	MyFinanceLab
Wed Aug 30	1	Introduction; Time Value of Money	3.2; 4.1-4.3, 4.5-4.8, 4.Appendix		
Mon Sep 4		No Class Labour Day			
Wed Sep 6	2	Time Value of Money; Interest Rates	5.1-5.5		
Mon Sep 11	3	Interest Rates, Capital Budgetting (Free Cash Flows)	2; 3-3-3.5; 7.1-7.3; 8.1-8.5		
Wed Sep 13	4	Capital budgetting (Free Cash Flows & Decision Criteria)			HW 1 - Time Value of Money
Mon Sep 18	5	Capital Budgetting (Sensitivity Analysis)		Callaway	
Wed Sep 20	6	Return on Investment	7.2, 7.4		
Mon Sep 25	7	Fixed Income Securities - Bond Markets and Valuation	6.1, 6.4, 6.5		
Wed Sep 27	8	Fixed Income Securities - Duration and Forward Rates	6.2, 6.Appendix; 30.4		HW 2 - Capital Budgetting
Mon Oct 2	9	Fixed Income Securities - Forward Rates; Valuing Stocks		Pay cash for a car?	
Wed Oct 4	10	Valuing Stocks	9.1-9.4		
Mon Oct 9	11	Risk and Cost of Capital	10.1-10.6		
Wed Oct 11	12	Review for Midterm		Orange County	HW 3 - Stocks and Bonds
Mon Oct 16		No Class			
Wed Oct 18		Midterm, 6:00 - 8:00 pm			
Mon Oct 23	13	Risk and Cost of Capital	10.7-10.8		
Wed Oct 25	14	Risk and Cost of Capital	11.1-11.6		
Mon Oct 30	15	CAPM	11.7, 11.8, 12.1-12.4		
Wed Nov 1	16	CAPM		Partners Healthcare	
Mon Nov 6	17	Capital Structure	14.1-14.5		
Wed Nov 8	18	Capital Structure	15.1-15.5; 16.1-16.4		
Mon Nov 13	19	Capital Structure		Ameritrade	HW 4 - Cost of Capital, CAPM
Wed Nov 15	20	Derivatives and Risk Management - Forwards and Futures			
Mon Nov 20		No Class Thanksgiving			
Wed Nov 22		No Class Thanksgiving	30.1-30.3		
Mon Nov 27	21	Derivatives and Risk Management - Options	20.1,20.2,21.1,21.2	Blaine Kitchenware	HW 5 - Capital Structure
Wed Nov 29	22	Guest Lecturer			
Mon Dec 4	23	Guest Lecturer			
Wed Dec 6	24	Review			
Mon Dec 11		No Class			
Wed Dec 13		No Class			
Mon Dec 18		Final Exam, 9:00 - 11:00 am			HW 6 - Derivatives/Risk Management