

UNIVERSITY OF PENNSYLVANIA
The Wharton School

Finance 100
Fall 2018

A. Craig MacKinlay
3255 SH-DH

CORPORATE FINANCE

Course Web Page: <http://finance.wharton.upenn.edu/~acmack>

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 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) principles of capital budgeting; (4) uncertainty and the tradeoff between risk and return; (5) corporate financing and dividend policy decisions; and (6) capital budgeting decisions under uncertainty.

Course Materials:

Required:

S. Ross, R. Westerfield, and B. Jordan, Fundamentals of Corporate Finance, 12th Edition, McGraw-Hill Irwin, 2019. (Referred to as RWJ in course outline.) [This textbook will also be available in the bookstore as a paperback with selected chapters.]

Sample exams with solutions (available online).

A scientific or business calculator. (It will be necessary for your calculator to have a x^y function.)

Solutions for end-of-chapter problems in RWJ (available online).

Optional:

S. Ross, R. Westerfield, J. Jaffe, and B. Jordan, Corporate Finance, 11th Edition, McGraw-Hill Irwin, 2016.

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, 16th edition, John Wiley and Sons, 2016.

Evaluation:

The course grade will be based on two midterm exams, a final exam, and two assignments (to be handed in). The weightings are:

Maximum of Midterm I and Midterm II	10%
Midterm Exam II	35%
Final Exam	45%
Assignments	10%

The first midterm exam is not optional. Failure to take this exam will result in a score of zero for the 10% allocated to the maximum of midterms I and II.

Schedule of Exams:

Midterm Exam I	Thursday, September 27, in class
Midterm Exam II	Thursday, November 1, in class
Final Exam	December 19, 6:00 pm to 8:00 pm

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

Policy for regrade requests:

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.

Office Hours:

My weekly scheduled office hours will be on Tuesdays from 3:45 to 4:45. Any week this time needs to be adjusted will be announced in advance.

The course teaching assistants will also have office hours scheduled throughout the week. Their schedule will be posted on the course web page.

Course Outline:

I. Time Value of Money.

Readings: RWJ Chapter 5

II. Valuation of Simple Cash Flow Streams.

Readings: RWJ Chapter 6

III. Valuation of Bonds.

Readings: RWJ Chapter 7

IV. Valuation of Stock.

Readings: RWJ Chapter 8

V. Principles of Capital Budgeting.

Readings: RWJ Chapters 9, 10, and 11

VI. Risk and Return in Capital Markets.

Readings: RWJ Chapters 12 and 13
Reading available online

VII. Cost of Capital.

Readings: RWJ Chapter 14

VIII. Corporate Financing and Capital Structure.

Readings: RWJ Chapters 16

IX. Valuation and Capital Budgeting.

Readings: Reading available online

X. Dividend Policy.

Readings: RWJ Chapter 17

Additional readings will be available online.