

**Corporate Finance**  
**Finance 100**  
**The Wharton School, University of Pennsylvania**  
**Fall 2018**

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### **Course Description**

The purpose of this course is to introduce techniques of financial analysis, with applications to corporate finance. The concepts learned in Finance 100 are the foundation for all elective finance courses. The topics covered include: (1) time value of money and the net present value rule, (2) capital budgeting decisions, (3) portfolio choice, (4) valuation of bonds and stocks, (5) corporate financing decisions, and (6) options.

### **Professor**

Itamar Drechsler

Office Hours: see Canvas

### **Teaching Assistants**

- Yilin (Elina) Ma: [yilinma@sas.upenn.edu](mailto:yilinma@sas.upenn.edu)
- Tammy Tan: [tammytan@wharton.upenn.edu](mailto:tammytan@wharton.upenn.edu)

Office Hours: see Canvas

### **Course Material**

- All course materials will be on Canvas, including all lecture slides, the course schedule, recordings of all the lectures, homeworks, practice exams, etc . . .
- Recommended: Corporate Finance by Ross, Westerfield, Jaffe, and Jordan, 11th edition.
- A graphing or financial calculator to solve test problems. Some homework problems will require the use of Excel or other spreadsheet program.

The role of the textbook is as supporting material for the lectures. I will only test you on material that appears in the lectures and homeworks. I think the RWJJ book is a useful resource and an additional source of explanations of the material, which is why I recommend it. However, while it is tightly linked to the material I cover for some topics, for other topics the link is weaker. A big advantage of having the book is that it is a good source of practice problems, and doing practice problems is a key part of really learning the material.

## Problem Sets

Assignments are due by the *beginning* of class on the day given in the syllabus. You can either submit your homework electronically on Canvas or hand in a paper copy in class. I recommend submitting through Canvas, as this allows you to see your score and get feedback online. Do *not* email us your homework. Late submissions will *not* be accepted.

Attempt every problem and show your work. Since the homeworks are there to help you learn the material and get practice solving problems, they will be graded for completeness and effort rather than whether you got the right number in the end.

*You are allowed to work in groups on the problems, but you must writeup and hand in your own copy, written in your own words, and you must acknowledge any help you received on the front page of your copy. Do not just submit two copies of the same writeup.* This is for your benefit, since being forced to write up the problems will increase your familiarity and level of comfort with the material. Since the problem sets are graded mainly for effort, there is no reason (besides laziness) for you to copy others' answers.

## Grading

Grades will be based on the final exam (45%), midterm exam (30%), homeworks (20%), and class participation (5%). The class participation grade is intended to incentivize you to be engaged in class, since this will help you to better absorb the material. I view it as a minimal hurdle that should be easy to clear: you only need to participate a few times over the course of the semester to get the full grade.

## Course Etiquette

Do not engage in side conversations during the lecture. Repeated disruptions will result in deductions from your grade. If you have something to ask, please raise your hand and ask me. This will benefit the class, since it is likely others have similar questions, and it will be rewarded in your class participation grade.

I do not allow laptops. They are a huge distraction, both for you and those around you. In turn, this distracts me. In contrast, I *do* allow you to use a tablet, if you put it flat in front of you so that it does not distract those around you. In fact, if you have a tablet I would encourage you to bring it to class in order to view the slide lectures and take notes electronically.

## Exams:

See the schedule for the dates of the midterm and final exams. There will be **no** makeups of the midterm exam or final exam, except in exenuating circumstances covered by university policy (i.e., medical emergencies). The schedule already shows the dates of the exams—so schedule your plans not to conflict with them. I am not responsible for the date of the final exam, it is decided solely by the university.

You will be allowed **one double-sided page** of notes at the midterm exam and **two double-sided pages** of notes at the final exam. The sheets must be no larger than 8.5 inch by 11 inch. While there are no formal restrictions on the content of the formula sheets, do

not abuse this privilege by trying to fit an unreasonable amount of material on the sheets. It is anyway a waste of your time since the exam will test your understanding of the concepts we learn, not your ability to memorize minute details. You will be asked to turn in these formula sheets after the midterm and exam, but you will be able to recover the midterm sheet in the week after the midterm.

You are not allowed to take the graded exams home, but we will have a post-midterm discussion to discuss the answers. Once graded, you are allowed to come visit your midterm during my office hours. The same rules apply to the final. Except for your calculator, no electronic devices may be used during exams.

**Honor Code** You are expected to respect the 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. Violations of the honor code will be reported to the administration immediately.

### **Communicating with me**

Outside of the classroom the best way to contact me is email. The best way to deal with detailed questions about the course material that require long responses to come see me in office hours. If that is not possible we can also schedule an appointment at an alternative time.

## Tentative Course Schedule (See Canvas for the updated version)

NOTE: I may change the dates of the homeworks and other minor aspects of the schedule. See Canvas for the most up-to-date version.

<b>Tentative Schedule for Finance 100, Fall 2018</b>				
<b>Date</b>	<b>Class #</b>	<b>Topic</b>	<b>Book Readings</b>	<b>Homework</b>
Tues Aug 28	1	Introduction, Time Value of Money	1.1-1.5, 2	
Thur Aug 30	2	Time Value of Money	4	
Tues Sept 4	3	Interest Rates (APR, EAR, Yield Curve)	4	
Thur Sept 6	4	Capital Budgeting (DCF, NPV, IRR)	5.1-5.4	
Tues Sept 11	5	Capital Budgeting (Sensitivity Analysis)	7.1	HW1
Thur Sept 13	6	Return on Investment (IRR vs. NPV)	5.5-5.7	
Tues Sept 18	7	Fixed Income Securities - Bond Pricing and Yields	8	
Thur Sept 20	8	Fixed Income Securities - Duration		
Tues Sept 25	9	Portfolio Choice (Statistics)	10.1-10.6, 11.1-11.3	HW2
Thur Sept 27	10	Portfolio Choice (Two Risky Assets)	11.4	
Tues Oct 2	11	Portfolio Choice (Risk-free Asset, Multiple Risky Assets)	11.5-11.7	
Thurs Oct 4		Fall Break		
Tues Oct 9	12	Portfolio Choice (Risk and required return in diversified portfolios)		
Thur Oct 11	13	Portfolio Choice (Risk and required return in diversified portfolios)		
Tues Oct 16	14	Review for Midterm		HW3
Thur Oct 18	15	<b>Midterm</b>		
Tues Oct 23	16	CAPM	11.8, 11.9	
Thur Oct 25	17	CAPM and applications	13.1-13.4	
Tues Oct 30	18	Stock Valuation	9.1-9.4, 13.5, 13.6	
Thur Nov 1	19	Stock Valuation	19.1-19.5	
Tues Nov 6	20	Stock Valuation		
Thurs Nov 8	21	Capital Structure	13.8-13.10, 16.1-16.5, 17.1, 17.2	HW4
Tues Nov 13	22	Capital Structure	18	
Thurs Nov 15	23	Capital Structure		
Tues Nov 20	24	Options	22.1-22.6	
Thur Nov 22		No Class (Thanksgiving)		
Tues Nov 27	25	Options	22.7	
Thurs Nov 29	26	Options	22.8	
Tues Dec 4	27	Options	22.9	HW5
Thurs Dec 6	28	Review for final		
Wed Dec. 19		<b>Final Exam, 6:00-8:00pm</b>		