

FINANCE 611: CORPORATE FINANCE

FALL 2018

Professors Jules van Binsbergen and Michael R. Roberts

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, 4th 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. We also ask the you avoid disrupting class by leaving early. 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, not regurgitating what you can read in a book.*

HOMEWORK ASSIGNMENTS

Homework assignments and their scheduled due dates are available on MyFinanceLab. You must purchase access to this site and register for the course by entering the course code.

Neither the TAs nor professors 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. However, we will drop your lowest homework score to address unforeseen contingencies.

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.).

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 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.

GRADING

Your course grade will be determined by your class participation (10%), MyFinanceLab homework assignments (30%), midterm (30%), and final (30%). If your score on the final exam is greater than that on the midterm – suitably adjusted for variation in performance differentials – we will replace your midterm score with your final score, which will then count for 60% 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. *Regrades requests outside this window will not be considered.* 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 objective error. We will not debate the merits of our grading scheme. If the regrade request is accepted, the exam will be regarded in its entirety by the professors. As a result, the revised score may go up, down, or stay the same.

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, regardless of the reason, we will reduce your course grade by one third (e.g., A to A-, B+ to B, B- to C+, etc.). If we catch you using them for a second time, you will receive an “F” in the course.

Students are expected to respect the University of Pennsylvania’s Code of Academic Integrity (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.

COMMUNICATING WITH PROFESSORS

The best way to contact the instructors outside of the classroom is via email. Please do not ask long, detailed questions about the course, or questions that (may) require a long, detailed response. We are happy to talk with students outside of the classroom so email one of us to schedule an appointment.

Please let us 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 us 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 (Mon-Wed classes)

| Date | Class # | Topic | Readings | Cases | MyFinanceLab |
|------------|---------|----------------------------------------------|---------------------------|---------------------|------------------------------|
| Wed Aug 29 | 1 | Introduction; Time Value of Money | 3.2; 4, 4.Appendix | | |
| Mon Sep 3 | | No Class Labour Day | | | |
| Wed Sep 5 | 2 | Time Value of Money; Interest Rates | 5 | | |
| Mon Sep 10 | 3 | Interest Rates, Return on Investment | 2; 3.3-3.5; 7.1, 7.2, 7.4 | | |
| Wed Sep 12 | 4 | Fixed Income - Bond Markets and Valuation | 6.1, 6.4, 6.5 | Pay cash for a car? | HW 1 - Time Value of Money |
| Mon Sep 17 | 5 | Fixed Income - Duration and Forward Rates | 6.2, 6.Appendix; 30.4 | | |
| Wed Sep 19 | 6 | Fixed Income - Forward Rates; Valuing Stocks | | | |
| Mon Sep 24 | 7 | Valuing Stocks | 9.1-9.4 | Orange County | |
| Wed Sep 26 | 8 | Risk and Cost of Capital | 10.1-10.6 | | HW 2 - Stocks and Bonds |
| Mon Oct 1 | 9 | Risk and Cost of Capital | 10.7-10.8 | | |
| Wed Oct 3 | 10 | Risk and Cost of Capital | | | |
| Mon Oct 8 | 11 | CAPM | 11.1-11.6 | | |
| Wed Oct 10 | 12 | CAPM | 11.7, 11.8, 12.1-12.4 | Partners Healthcare | HW 3 - Cost of Capital, CAPM |
| TBD | | Review for Midterm | | | |
| Mon Oct 15 | | No Class | | | |
| Wed Oct 17 | | Midterm, 6:00 - 8:00 pm | | | |

Tentative Schedule (Tue-Th classes)

| Date | Class # | Topic | Readings | Cases | MyFinanceLab |
|------------|---------|----------------------------------------------|---------------------------|---------------------|------------------------------------|
| Tue Aug 28 | 1 | Introduction; Time Value of Money | 3.2; 4, 4.Appendix | | |
| Thu Aug 30 | 2 | Time Value of Money; Interest Rates | 5 | | |
| Tue Sep 4 | 3 | Interest Rates, Return on Investment | 2; 3.3-3.5; 7.1, 7.2, 7.4 | | |
| Th Sep 6 | 4 | Fixed Income - Bond Markets and Valuation | 6.1, 6.4, 6.5 | Pay cash for a car? | |
| Tue Sep 11 | 5 | Fixed Income - Duration and Forward Rates | 6.2, 6.Appendix; 30.4 | | HW 1 - Time Value of Money (Wed) |
| Th Sep 13 | 6 | Fixed Income - Forward Rates; Valuing Stocks | | | |
| Tue Sep 18 | 7 | Valuing Stocks | 9.1-9.4 | Orange County | |
| Th Sep 20 | 8 | Risk and Cost of Capital | 10.1-10.6 | | |
| Tu Sep 25 | 9 | Risk and Cost of Capital | 10.7-10.8 | | HW 2 - Stocks and Bonds (Wed) |
| Th Sep 27 | 10 | Risk and Cost of Capital | | | |
| Tue Oct 2 | 11 | CAPM | 11.1-11.6 | | |
| Th Oct 4 | | No class | | | |
| Tue Oct 9 | 12 | CAPM | 11.7, 11.8, 12.1-12.4 | Partners Healthcare | HW 3 - Cost of Capital, CAPM (Wed) |
| Th Oct 11 | | No Class | | | |
| TBD | | Review for Midterm | | | |
| Tue Oct 17 | | No class | | | |
| Wed Oct 17 | | Midterm, 6:00 - 8:00 pm | | | |