

UNIVERSITY OF PENNSYLVANIA  
The Wharton School

Finance 100  
Fall 2019

A. Craig MacKinlay  
3255 SH-DH

## CORPORATE FINANCE

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**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, J. Jaffe, and B. Jordan, Corporate Finance, 12<sup>th</sup> Edition, McGraw-Hill Education, 2019. (Referred to as RWJJ in course outline.) [This textbook will 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 RWJJ (available online).

#### Optional:

S. Ross, R. Westerfield, and B. Jordan, Fundamentals of Corporate Finance, 12<sup>th</sup> Edition, McGraw-Hill Education, 2018.

T. Koller, M. Goedhart, and D. Wessels, Valuation: Measuring and Managing the Values of Companies (6<sup>th</sup> Edition), McKinsey and Company, 2015, published by John Wiley and Sons, Hoboken, New Jersey.

D. Kieso, J. Weygandt, and T. Warfield, Intermediate Accounting, 17<sup>th</sup> edition, John Wiley and Sons, 2019.

**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 Classes:**

Classes will be on Tuesdays and Thursdays from August 27 until December 5 except for September 19, October 10, and November 28.

**Schedule of Exams:**

Midterm Exam I	Thursday, September 26, in class
Midterm Exam II	Thursday, October 31, in class
Final Exam	December 16, 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 changed will be announced in advance. Additional office hours in exam weeks will be added as needed.

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:* RWJJ Chapter 4

### II. Valuation of Simple Cash Flow Streams.

*Readings:* RWJJ Chapter 4

### III. Valuation of Bonds.

*Readings:* RWJJ Chapter 8

### IV. Valuation of Stock.

*Readings:* RWJJ Chapter 9

### V. Principles of Capital Budgeting.

*Readings:* RWJJ Chapters 5, 6, and 7

### VI. Risk and Return in Capital Markets.

*Readings:* RWJJ Chapters 10, 11, 12, and 14

### VII. Cost of Capital.

*Readings:* RWJJ Chapter 13

### VIII. Corporate Financing and Capital Structure.

*Readings:* RWJJ Chapters 15, 16, and 17

### IX. Valuation and Capital Budgeting.

*Readings:* RWJJ Chapter 18

### X. Dividend Policy.

*Readings:* RWJJ Chapter 19

Additional readings will be available online.