

**Corporate Finance**  
**Finance 100**  
**The Wharton School, University of Pennsylvania**  
**Fall 2019**

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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**

- Chelsea Liu: [liujing6@sas.upenn.edu](mailto:liujing6@sas.upenn.edu)
- Yilin (Elina) Ma: [yilinma@wharton.upenn.edu](mailto:yilinma@wharton.upenn.edu)
- Richard Kaser: [kaser@wharton.upenn.edu](mailto:kaser@wharton.upenn.edu)

Office Hours: see Canvas

### **Course Material**

- All the required course materials will be on Canvas. These include the lecture slides, homeworks, practice exams, etc ...
- Recommended: Corporate Finance (plus MyLabFinance), Jonathan Berk and Peter DeMarzo, 4th ed., Pearson - Prentice Hall MyFinanceLab itself includes access to an electronic version of the textbook, so buying access to MyFinanceLab gets you everything.

As an alternative to purchasing the physical textbook, you can purchase access to MyLabFinance, which includes the electronic text for Berk/Demarzo. You can get an electronic access code from the bookstore or directly on from the Pearson website at <https://www.pearsonmylabandmastering.com/northamerica/students/get-registered/index.html>

The cost is \$119.99. You can also get temporary access if you want to try it first before deciding. A pdf with registration instructions is posted on Canvas.

The instructor's course ID for our course is **drechsler77466**.

- A graphing or financial calculator to solve test problems. 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. However, I think the Berk and DeMarzo book is a very good and useful book, which is why I recommend it. Moreover, MyFinanceLab has access to lots of practice problems.

### **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 attendance + participation (5%). The class attendance and participation grade incentivizes you to attend and 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. You are allowed to be absent up to four times without hurting your grade. Beyond that absences will hurt your attendance and participation grade.

### **Course Etiquette**

Please 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. 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. Indeed, 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. You will be required 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 will *not* be 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.

**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. Please do not ask long, detailed questions about the course, or questions that may require a long, detailed response. I am happy to talk with you in office hours or to schedule a separate appointment if necessary.

## Tentative Course Schedule (See Canvas for the most up-to-date 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 2019</b>				
Date	Class #	Topic	Book Readings	Homework
Tues Aug 27	1	Introduction, Time Value of Money	3	
Thur Aug 29	2	Time Value of Money	4	
Tues Sept 3	3	Interest Rates (APR, EAR, Yield Curve)	5 (except 5.4)	
Thur Sept 5	4	Fixed Income Securities - Bond Pricing and Yields	6	
Tues Sept 10	5	Fixed Income Securities - Duration	6.Appendix	
Thur Sept 12	6	Capital Budgeting (DCF, NPV, IRR)	7.1, 7.2	HW1
Tues Sept 17	7	Capital Budgeting (DCF, NPV, IRR)		
Thur Sept 19	8	Return on Investment (IRR vs. NPV)	7.4	
Tues Sept 24	9	Portfolio Choice (Statistics)	10.1-10.4, 11.1	
Thur Sept 26	10	Portfolio Choice (Two Risky Assets)	11.2-11.4	HW2
Tues Oct 1	11	Portfolio Choice (Risk-free Asset, Multiple Risky Assets)	11.5	
Thur Oct 3	12	Portfolio Choice (Risk and required return in diversified portfolios)	10.5, 10.6	
Tues Oct 8	13	Portfolio Choice (Risk and required return in diversified portfolios)	10.7	
Thur Oct 10		Fall break		
Tues Oct 15	14	Review for Midterm		HW3
Thur Oct 17	15	Midterm		
Tues Oct 22	16	CAPM	11.6, 11.7	
Thur Oct 24	17	CAPM and applications	10.8, 11.8, 12.3	
Tues Oct 29	18	Stock Valuation	9.1, 9.2	
Thur Oct 31	19	Stock Valuation	12.1-12.4	
Tues Nov 5	20	Stock Valuation		
Thurs Nov 7	21	Capital Structure	14	
Tues Nov 12	22	Capital Structure	15.1-15.2, 18.1-18.4	
Thurs Nov 14	23	Capital Structure		HW 4
Tues Nov 19	24	Options	20.1, 20.2	
Thur Nov 21	25	Options		
Tues Nov 26	26	Options	20.3-20.5	
Thurs Nov 28		No Class (Thanksgiving)		
Tues Dec 3	27	Options		HW5
Thurs Dec 5	28	Review for final		
Mon. Dec 16		Final Exam, 6:00-8:00pm		