

FINANCE 100: CORPORATE FINANCE

SPRING 2020

Course Website: Available on Canvas

COURSE DESCRIPTION

The purpose of this course is to introduce techniques of financial analysis, with applications to corporate finance. 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) capital budgeting decisions; (3) valuation of bonds and stocks; (4) uncertainty and the tradeoff between risk and return; (5) corporate financing decisions, and (6) options.

INSTRUCTOR AND TA INFORMATION

Prof. Lorena Keller

Office: 2319 Steinberg Hall-Dietrich Hall

Email: lorenak@wharton.upenn.edu

Office hours: By Appointment (check availability at <https://lorenakeller.youcanbook.me>)

TA. Rachel Levin

Email: raclevin@wharton.upenn.edu

Office Hours: Mondays 4:30pm-5:30pm and Fridays 3-4pm

TA. Laurence Xu

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Office Hours: Wednesdays 5-7pm

Teaching Assistant office hours will be held in the TA cubicles (SHDH 2305). Changes to office hour times and locations in any given week will be posted on Canvas. Office hours start on the second week and there are no office hours during spring break.

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.

Additional Material

Additional material (e.g., notes, supplemental exercises and material, etc.) will be made available on Canvas under Files.

Calculator

You will need a scientific or business calculator. It will be necessary for your calculator to have a x^y function. Some problem sets will require use of excel or some other simple statistical software.

Course Questions

I encourage course-related discussions and questions so please, if you have questions about the course material, please post your questions on Piazza. This will ensure a faster reply and will allow all students to benefit from the answers of other students' questions.

However, I do require that students make an effort to first make sure the answers have not been given in class and that are not in the class notes or textbook. As well, I require that students check whether the question has already been answered on Piazza. Questions that have already been answered will not be answered again. To post a question please go to: piazza.com/upenn/spring2020/fnce100

Neither the TAs nor I 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.

ATTENDANCE AND PREPARATION

Students are expected to attend all classes and arrive on time. I also ask that you avoid disrupting class by leaving early. You are expected to come to class having read the required textbook sections when relevant.

Although I do not grade participation directly, there will be at least 4 short “surprise” quizzes. Simply attending the quiz guarantees half of the points. The lowest grade of the quiz will be

dropped and the average of the rest of the quizzes is worth 10% of the final grade. Please see more information about the quizzes in the “Grading” section.

GRADING

Grades will be based on two midterm exams, final exam, quizzes (10%), homework (15%) and professionalism (10%).

The weight of the midterms and final exam depends on whether the grade of your final exam is greater than the lowest midterm exam. Your lowest midterm grade will be replaced by your score on the final if that increases your performance. That is, if your lowest midterm grade is lower than your final exam, the score weights will be: highest midterm grade (20%), final exam (45%), quizzes (10%), homework (15%) and professionalism (10%). However, if the lowest midterm grade is higher than the final exam, the score weights will be: first midterm (20%), second midterm (20%), final exam (25%), quizzes (10%), homework (15%) and professionalism (10%).

1. Exams:

- First Midterm: February 20, in class.
- Second Midterm: March 31, in class.
- Final: May 11th from 6 to 8 PM (Tentative. This is determined by the Registrar’s Office and is subject to change.)

The second midterm will integrate material from before the first midterm. The final exam, which is held on the date and time determined by the registrar, will be fully cumulative. You will be allowed one double-sided page of notes for the first midterm, two double-sided pages for the second, and three double-sided pages for the final (either typed or handwritten). I only allow a calculator during exams. As previously mentioned, your lowest midterm grade will be replaced by your score on the final if that increases your performance.

There will not be any make-up final except as required by university policy. Because your lowest midterm grade will be dropped if that improves your grade, there will be no makeup midterm exams under any circumstance unless required by university policy.

You will be able to check your exams during office hours. Any concerns regarding the exam and grade will be settled at that time.

To request a regrade, you need to clearly state the reason(s) for the regrade. The only valid reason for a regrade is an error on our part. Neither me nor the TAs will not debate the merits of my grading scheme. If the regrade request is accepted, we will regrade the exam in its entirety. As a result, the revised score may go up, down, or stay the same.

The best way to prepare for the exams is to come to class and participate, read the course material and complete the homework assignments. For additional preparation, try the numerous problems available in MyFinanceLab, and the problems at the end of each chapter in the textbook.

2. Quizzes

There will be at least 4 short in-class quizzes (5-10 min each) and the lowest quiz grade will be dropped. I will not disclose the dates of the quizzes. The quiz is meant as individual work. You cannot consult with other students. Simply showing up to the quiz and handing it back will guarantee you half of the score. There will in general be no make-up for quizzes. If you miss a quiz, you will receive a zero. The only exceptions to this rule will be a verified, serious illness or a serious family emergency. Even in this case, students should notify me via email prior to the quiz.

3. Homework assignments

Problem sets are due on the day given in the syllabus. You will be rewarded full credit on the problem set if you have made a good-faith effort to answer all of the questions, and if you hand in the problem set on time. Late problem sets will not be accepted. You need to submit your homework via Canvas. If problems occur, email the problem set to the TAs **before** the due date and time.

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 encouraged to work in groups (of at most 5 students) on the problem sets and hand in one problem set for the group. It is also highly recommended that you regularly review the readings and class notes with your study group.

Please remember that neither the TAs nor I will answer any questions pertaining to the homework before this is due. If you miss the due date, which is clearly identified in Canvas, you will receive a zero. Please carefully look at the solutions before asking questions about a homework, since your question may be answered there.

For those looking for additional problems to test the understanding of the material, there are numerous additional problems available for study and practice on MyFinanceLab. There are also problems at the end of each chapter in the textbook, as well as problems scattered throughout each chapter.

4. Professionalism

The professionalism grade will be based on being professional in your interactions with the teaching assistants and myself. For instance, not showing to student/faculty means or appointments with me or teaching assistants will reduce your grade. As well, although I welcome questions outside class about the material (via Piazza), I request that you make an effort to read the material (including syllabus) before asking questions in Piazza. Moreover, although I will not grade participation directly, it is your responsibility to catch up with the class material if you had to miss a class. Your "professionalism" portion of your grade will suffer if you ask questions that were covered in class but you are not aware of because you missed class without a valid excuse.

COURSE ETIQUETTE

Laptops and cellphones are not permitted in class. Tablets are permitted. A body of scientific literature has established that when students take notes by typing, they learn much less than when taking notes by hand. No technology (other than a calculator) is permitted during the exams.

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 students in their own section and in other sections. However, students are forbidden to discuss exams 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.

FACULTY MEALS

Wharton is kind enough to fund meals for students and faculty. I will have a sign up sheet on Canvas and many slots for you to have a meal with me in groups of 3 to 7 students. This is entirely optional, but I hope it is a fun way for us to get to know each other.

COMMUNICATING WITH ME

I am happy to meet with students outside the classroom. You can book a meeting with me at <https://lorenakeller.youcanbook.me>. If the time slots do not work, email me to schedule an appointment.

Please let me 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 me 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:

Dates are subject to change.

Date	Class	Topic	Chapters	Homework
Thu Jan 16	1	Introduction, Time Value of Money	3, 4	
Tue Jan 21	2	Time Value of Money, Interest Rates	4,5	
Thu Jan 23	3	Practical Applications / Problem Solving Day 1	5,6	
Tue Jan 28	4	Interest Rates and Bonds	5,6	PS 1 due
Thu Jan 30	5	Interest Rates and Bonds	7,8	
Tue Feb 4	6	Investment Decisions and Capital Budgeting	7,8	
Thu Feb 6	7	Investment Decisions and Capital Budgeting	7,8	
Tue Feb 11	8	Investment Decisions and Capital Budgeting	7,8	PS 2 due
Thu Feb 13	9	Equities	9	
Tue Feb 18	10	Review		
Thu Feb 20		Midterm 1		
Tue Feb 25	11	Practical Applications / Problem Solving Day 2		
Thu Feb 27	12	Risk and Return	10	
Tue Mar 3	13	Risk and Return	10	
Thu Mar 5	14	Portfolio Choice	11	
Tue Mar 10		SPRING BREAK		
Thu Mar 12		SPRING BREAK		
Tue Mar 17	15	Portfolio Choice	11	PS 3 due
Thu Mar 19	16	Cost of Capital	12	
Tue Mar 24	17	Practical Applications / Problem Solving Day 3		
Thu Mar 26	18	Review		PS 4 due
Tue Mar 31		Midterm 2		
Thu Apr 2	19	Capital Structure	14	
Tue Apr 7	20	Capital Structure	14, 15	
Thu Apr 9	21	Capital Structure	15, 18	
Tue Apr 14	22	Practical Applications / Problem Solving Day 4		PS 5 due
Thu Apr 16	23	Options and Derivatives	20	
Tue Apr 21	24	Options and Derivatives	20	
Thu Apr 23	25	Options and Derivatives		
Tue Apr 28	26	Review for final		PS 6 due