

Advanced Corporate Finance
FNCE 203/726
Summer 2020: Session II
July 3, 2020

***** Please note: This class will be offered remotely. The syllabus has been revised to reflect that, but I plan to make minor updates in the coming weeks.**

Course Information:

Times: MW from 4:30-6:00pm (approx.) + pre-recorded lectures. See below for more details.
Location: Remote

Professor:

Name: Ronel Elul
Email: elul@upenn.edu (the best way to contact me)
URL: <https://canvas.upenn.edu/>
Office Hours: See Canvas (via Bluejeans)

TA: Daniel Shen (dyshe@wharton.upenn.edu)
Office Hours: See Canvas (via Bluejeans)

Course Description:

The objective of this course is to study the major decision-making areas of managerial finance and some selected topics in financial theory. The course reviews the theory and empirical evidence related to the investment and financing policies of the firm and attempts to develop decision-making ability in these areas. This course builds on the basic building blocks of valuation and other tools introduced in FNCE 100 (611) to understand the economics of corporate finance with real world applications.

A broad array of topics will be discussed including: rethinking valuation, cost of capital and capital budgeting, capital structure, real world payout policies, going public, going private (buyouts), corporate governance and corporate control (mergers and acquisitions) and shareholder activism.

The theme of this course is value-based management. There has been significant progress in financial theory over the past four decades. However, the theory explains the real world by stylized and simplified models. Financial techniques, although based on sound theoretical models, are not always perfect for dealing with the complexities of the real world. Value-based management introduces coherence and consistency in dealing with complex real world problems instead of ad hoc financial decisions with no theoretical basis. Through case studies, we will have an opportunity to tackle real world financial problems faced by corporate financial managers.

Remote Instruction: I will record the material for each week's lecture in advance, and post it on Canvas; each week will have approximately 5 hours of lectures per week. In addition, we will use 60-90 minutes of class time each Monday (430-6pm) to go over key topics in more depth, and to prepare ourselves for the weekly case studies. Each Wednesday we will spend approximately 60-90 minutes (430-6pm) on case presentation and discussion; **you are very strongly encouraged to attend these meetings**, although classes will be recorded for those for whom their time zone makes this impossible.

Prerequisites: Corporate Finance (FNCE 100, 611, 612, or equivalent), Statistics (102, 613, or equivalent)

Grading Policy: Your grade will be based on the following four components: (i) five case study reports, handed in weekly (40%); (ii) five quizzes (approximately 30 minutes in length) on the material covered that week, as well as the concepts in the case study (40%); (iii) one in-class group case presentation (10%); (iv) class participation (10%). Regarding quiz times, you will have a window of several hours in which to complete the exams, which should accommodate different time zones. There will be no midterm or final exam.

Class participation points will be assigned at the rate of 2% per week. You can earn class participation points *either* by participating in the in-class case discussions on Wednesdays, or else by viewing the recording of the case presentations from that week and submitting intelligent comments and questions (by Friday morning of that week); this will accommodate different schedules and time zones.

You will be assigned to work together in teams of 4-5 on your cases, and should submit a joint solution with all of your names on it; please note, however, that each of you is required to pull his/her weight. If you have a conflict due to time zones etc. then you can request to be reassigned (please let me know ASAP). The University takes its honor code very seriously, and all work must be your own. I would like to see a well-reasoned case write-up that shows *your* understanding of the conceptual and institutional issues, and not one that has been written by someone on the internet. Finally, regrading requests must be submitted in writing within one week of the return of the quiz or assignment; please note that any such request will subject the work to a complete regrade.

Readings: I will be posting slides and recordings each week on Canvas. Some of these will be background, which you should review before class. I will also post my slides for the Monday meeting, and will put up the recording of both the Monday and Wednesday meetings after they are completed. The required bulk pack contains the case studies that will be used in the course, and is available for purchase at study.net (see link on Canvas course page). In addition, I will distribute materials via Canvas.

There is no required textbook, although I do recommend that you have access to *Principles of Corporate Finance* by Brealey, Myers, and Allen. My slides will refer to the 12th edition (available relatively cheaply online), but slightly newer or older versions should be fine. You should also be able to manage with alternative textbooks, such as those by Ross, Westerfield and Jaffe (*Corporate Finance*), or Berk and Demarzo (*Corporate Finance*).

Schedule (subject to change)

Week 1

July 6: The Cost of Capital

July 8: Marriot Case – hand in by 4pm. Case discussion in class

July 10: Quiz

Week 2

July 13: Capital Budgeting and Taxes

July 15: Harris Seafoods case – hand in by 4pm. Case discussion in class

July 17: Quiz

Week 3

July 20: Dividend Policy

July 22: FPL Group Case – hand in by 4pm. Case discussion in class.

July 24: Quiz

Week 4

July 27: Leveraged Buyouts

July 29: RJR Nabisco Case – hand in by 4pm. Case discussion in class

July 31: Quiz

Week 5

Aug 3: Mergers and Acquisitions

Aug 5: Conrail Case – hand in by 4pm. Case discussion in class.

Aug 7: Quiz