

Corporate Finance Syllabus - Summer 2020

FNCE 100/611

Date: May 17, 2020

***** Please note: This class will be offered remotely. The syllabus has been revised to reflect that, but modest updates may be made in the coming weeks. If you have any questions about the schedule, or the prerequisites, please email me. *****

Course Information:

Times: MW from 4:30-5:30pm (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: TBA

TAs: Adit Arora (adita@wharton.upenn.edu); Chelsea Liu (liujing6@sas.upenn.edu)

Office Hours: TBA (via Bluejeans)

Course Description: This course serves as an introduction to finance through the lens of the corporation. It will cover some of the theory and practice of decision-making within the corporation, as well as assorted other topics; we will not attempt to cover the whole of this vast subject. Basic courses in Microeconomics and Statistics are prerequisites. Introductory accounting is also recommended but may be taken concurrently. Please contact me should you have any questions.

Remote Instruction: I will record the material for each day's lecture in advance, and post it on Canvas; each day's recording will be approximately 2-1/2 to 3 hours in length (5-6 hrs/week). We will then use the hour of each class (MW 430-530pm) to go over key topics in more depth, and do review problems. **I ask that you attend these meetings to the extent possible**, but they will also be recorded and attendance will not be taken. You should also attend the exam review sessions if possible (but they will also be recorded).

Reading Material: The main reference for this course will be the packet of slides and case studies, which will be available through Canvas before the first day of class (look for the link to study.net). In addition, the textbook for the course is the *twelfth* edition of Principles of Corporate Finance, by Brealey, Myers and Allen (BMA); a detailed outline - with references to this text - is on the second page of this syllabus. The thirteenth edition is also acceptable, and you may be able to manage with older editions. I will also post solutions to selected problems from the book. The book is available online for a reasonable price; other editions are acceptable, but the section and problem numbers may not match precisely.

Grading Policy: Your grade will be based on the following three components: (i) a **midterm exam** on Monday **June 15** (25%), (ii) a comprehensive **final exam** on Wednesday **July 1** (50%), and (iii) four **cases** (25%). I will also replace your midterm grade with your final exam grade if it is higher. Regarding exam times, you will have a window of several hours in which to complete the exams, which should accommodate different time zones.

You should work together in teams of 4 (but no more) 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. I will assign you to groups, but if you have a conflict due to time zones etc. then you can request to be reassigned (please let me know ASAP). Finally, regrading requests must be submitted in writing within one week of the return of the exam or assignment; please note that any such request will subject the work to a *complete regrade*.

Corporate Finance – Tentative Course Outline – References are to the 12th [and 13th] editions

Dates subject to change. Case questions will be posted on Canvas.

5/27: Session 1: Introduction; Types of Business Organization. Goals of the Corporation (Skim BMA 1).
Session 2: How Corporations Finance Themselves (BMA 3.6, [skim 4.1], Ch 14; 23.3, 24.1 [skim rest of chapter]).

Session 3: Issuing Securities (BMA 15.2-15.5; Microsoft IPO article). Venture Capital (skim BMA 15.1) – time permitting

6/1: Session 4: Present Value (BMA Ch 2, 3.1, 3.2, [skim 3.3], 3.5, 5.3, 6.3 [6.4 in 13th ed], 23.1)
Session 5: Valuing Stocks (BMA 4.2-4.5)

6/3 Session 6: Determining Project Cash Flows (BMA 6.1, 6.2 [6.3 in 13th ed], 25.3, [skim 6.4 in 13th ed.]).
Session 7: Introduction to Risk and Return in Security Markets (BMA 7.1, 7.2)

6/8: Session 8: Mathematics of Portfolio Risk (BMA 7.3, 7.4).

Session 9: Portfolio Risk, continued (BMA 8.1); Short-selling and buying on margin (my article - on Canvas)

Session 10: The Capital Asset Pricing Model (CAPM) (BMA 8.2, 8.3, [skim 8.4])

Walmart Case Due

6/10: Midterm Review (have old exams available) – **live from 4:30-600pm.**

Session 11: Capital Budgeting with the CAPM (BMA 9.1, 9.2, [skim 9.3])

Atlantic Case Due

6/15: * Midterm Exam [Covers through session 9; also includes Walmart & Atlantic Cases] *****

Session 12: The Modigliani-Miller Theorems on Capital Structure (BMA 17.1-17.3)

6/17: Session 13: The Tradeoff Theory (BMA 18.1, 18.3; [18.2 optional]).

Session 14: Capital Budgeting and Taxes (BMA 17.4, 19.1-19.5)

Alex Sharpe Case due.

6/22: Session 15: Capital Structure when there is Asymmetric Information (BMA 18.4)

Session 16: Dividends - an Overview (BMA 16)

Session 17: Market Efficiency and Behavioral Finance (BMA 13)

6/24: Session 18: Introduction to Options and Derivatives (BMA 20; 21.1-21.2). **Dixon Case Due**

6/29: Last Class - Conclusion and Review. **Live from 430-630pm**

7/1 * Final Exam - Covers all non-optional material *****