

UNIVERSITY OF PENNSYLVANIA  
The Wharton School

Finance 100  
Fall 2020

A. Craig MacKinlay  
3255 SH-DH

## CORPORATE FINANCE

---

### Course Information: On Canvas

### 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 as an e-book from McGraw-Hill and 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 (7<sup>th</sup> Edition), McKinsey and Company, 2020, 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%
Assignment(s)	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 September 1 until December 8 except for November 26.

**Schedule of Exams:**

Midterm Exam I	Thursday, October 1
Midterm Exam II	Thursday, November 5
Final Exam	To be set by Registrar

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 by email within two weeks of the exam day.

**Office Hours:**

My weekly scheduled office hours will be on Tuesdays from 3:30 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 virtual office hours scheduled throughout the week. Their schedule will be posted on canvas.

## **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, and 12

### VII. Cost of Capital.

*Readings:* RWJJ Chapter 13

### VIII. Market Efficiency

*Readings:* RWJJ Chapter 14

### 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.