

# Finance 611: Corporate Finance

## The Wharton School

### University of Pennsylvania

## Course Description

This course is an in-depth introduction to the foundations of finance with an emphasis on applications that are vital for corporate managers. We will discuss most of the major financial decisions made by corporate managers both within the firm and in their interactions with investors. Essential in most of these decisions is the process of valuation, which will be emphasized throughout the course. Topics include criteria for making investment decisions, valuation of financial assets and liabilities, relationships between risk and return, capital structure, choice, payout policy, the effective use and valuation of derivative securities (futures, options, and convertible securities), and risk management.

## Instructor Information

### Instructors

From week 1 to week 6:

- Prof. Lorena Keller
- Email: [lorenak@wharton.upenn.edu](mailto:lorenak@wharton.upenn.edu)
- Office Hours: By appointment over Zoom. Please check availability at <https://lorenak.youcanbook.me> . If the time slots do not work, email me to schedule an online appointment.
- The link to Zoom OH is:
  - <https://upenn.zoom.us/j/92434877993?pwd=UHYyVHhKUVM3VytrZkU3dXIHN1Rydz09>
  - Passcode: Keller OH

From week 7 to week 12:

- Prof. Sasha Indarte
- Email: [aindarte@wharton.upenn.edu](mailto:aindarte@wharton.upenn.edu)
- Office Hours: by appointment (over Zoom)

## Course Resources

### Textbook

The **required** textbook for the course is: Corporate Finance (**plus MyLab Finance**), Jonathan Berk and Peter DeMarzo, 5<sup>th</sup> ed., Pearson - Prentice Hall

To complete the homework, you'll need to buy MyLab Finance (which integrates an e-textbook) for approximately \$100 from Pearson's website. To buy this option, go to Canvas/MyLab and

Mastering and you will be prompted with the payment instructions. You will automatically be enrolled to my course in MyLab Finance and you will be able to see and work on the homework. To get a print copy, you can log into MyLab Finance and go to “Purchase Options”, located on the left navigation bar. There you will find an option to purchase print textbook. This takes you to the MyPearsonStore for adopters of MyLab and you can order a full color copy of the book for approximately \$25 with no additional shipping.

If you run into errors when going to MyLab Finance, please enter directly using Canvas. Please note that MyLab Finance does not work well with Safari. Please use Chrome instead. In case this does not solve the errors, please contact [courseware@wharton.upenn.edu](mailto:courseware@wharton.upenn.edu) and copy us in the email so we are aware of the issue.

### **Slides**

PDFs of lecture slides are available on Canvas.

### **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.

### **Piazza**

Instead of email, we ask that you submit questions about the course material or logistics over Piazza. Piazza is a forum, visible to everyone in both sections, where you can both ask and answer questions about the course. You have the option to ask questions anonymously as well. Use the link below to enroll in Piazza:

[piazza.com/upenn/fall2020/fnce611kellerindarte](https://piazza.com/upenn/fall2020/fnce611kellerindarte)

Providing good answers to your classmates’ questions can earn you extra credit.

More sensitive questions that you don’t want shared with others are of course welcome over email. Please let us 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 us 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.

### **Additional Practice Exercises**

I will select specific exercises that relate to the material we have learned and that provide a great way to check, practice and improve your understanding of the material. These exercises are entirely optional and they will be in MyLab Finance, under “Study Plan”. The nice feature of this software is that it will give you feedback and walk you through the answer.

## **Course Expectations**

Class attendance is mandatory. You are expected to arrive on time, view recordings (if available) and do readings before the class. You should read the slides before class and, when available, the

lecture notes. The tentative schedule also has suggested readings from the textbook. We expect everyone to engage with each other respectfully during class and while working together on team-based homework assignments.

## Grades

The course grade is based on four components:

- Problem Sets (30%)
- Midterm Exam (30%)
- Final Exam (40%)

Class grades are determined using a class-wide (i.e., across all FNCE 611 sections) curve that respects any constraints imposed by the University or Wharton.

### Problem Sets

Homework assignments are available on MyLab Finance. The assignment schedule is provided at the end of this syllabus. You must purchase access to this MyLab Finance and register for the course. You will receive unlimited attempts at the homework. You can re-take the homework assignment additional times by undertaking “similar exercises” in MyLab Finance. The same questions - with different numbers - will be offered. You will be directed to MyLab Finance homework directly through Canvas. Just go to “Assignments” tab and click on the corresponding homework.

Neither the TAs nor us will answer any questions pertaining to the homework until after the due date. An essential element of the homework is your ability to work on the mechanics of finance independently. If you miss the due date, which is identified in MyLab Finance and Canvas, you will receive a zero. Please carefully look at the solutions before asking questions about homework, since your question may be answered there.

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

### Exams

There is a midterm and a final exam. The final exam is cumulative but will mainly focus on material from the second half of the course. Both exams are open book and open note. You will want a calculator capable of exponentiating (i.e.,  $x^a$ ) to complete the exam.

If you miss the midterm exam, regardless of the reason, your final score will be used in its place. If you miss the final exam, you will automatically fail the course. The only excuse for missing the final exam is a medical emergency or grave personal difficulties such as a death in the family, the validity of which will be verified by the University.

Students have exactly one week from the day that the graded midterm is returned to request a regrade. The request must be attached to the exam and clearly state the reason(s) for the regrade. The only valid reason for a regrade is an error on my part. We will not debate the merits of the grading scheme. If the request is accepted, the exam will be regraded in its entirety. As a result, the revised score may go up, down, or stay the same. We will schedule two days after the semester ends during which you may discuss your graded final. Any concerns regarding the final exam or course grade will be addressed at that time.

### **Extra Credit**

You can earn extra credit for good answers provided to the questions your classmates ask in Piazza.

### **Academic Integrity**

No member of the class may engage in or tolerate academic fraud, such as cheating, plagiarism or lying. We believe strongly in giving certain liberties to students, and in return we expect honest and honorable conduct, including compliance with the Wharton [MBA Code of Ethics](#) and the University of Pennsylvania's [Code of Academic Integrity](#). You may discuss problem sets with your classmates and (after completing them) quizzes, but you may not use materials obtained from students who took this course in previous years. You must follow all the exams instructions very carefully and only use the explicitly permitted resources. If at any time you have a question concerning the Code of Ethics and course work, please email us.

### **Copyright Information**

All federal and state copyrights reserved for all original material presented in this course through any medium, including lecture, print, and video. Any copyrighted material provided in this course is for your personal, noncommercial use and may not be copied and distributed to others without the prior permission of the copyright owner. Individuals may not be paid for taking or transferring their class notes without my express written permission.

## Tentative Course Calendar

Dates are subject to change.

Tentative schedule for the first half of the course (Prof. Keller):

Date	Class	Topic	Reading	Homework
1-Sep	1	Introduction, Time Value of Money	4.1-4.3, 4.5-4.8, 4.Appendix	
3-Sep	2	Time Value of Money	4.1-4.3, 4.5-4.8, 4.Appendix	
8-Sep	3	Interest Rates	5.1-5.5	
10-Sep	4	Problem Solving Day 1		
15-Sep	5	Fixed Income	6.1- 6.5	PS 1 due
17-Sep	6	Fixed Income	6.1- 6.5	
22-Sep	7	Investment Decisions	3.3-3.5, 4.4, 7.1-7.2, 7.4	
24-Sep	8	Problem Solving Day 2		
29-Sep	9	Capital Budgeting	8.1-8.2	PS 2 due
1-Oct	10	Equities	9.1-9.3	
6-Oct	11	Equities	9.1-9.3	
8-Oct	12	Review session		
13-Oct		<b>No class</b>		PS 3 due
15-Oct		<b>Midterm Exam (time TBA)</b>		

Tentative schedule for the second half of the course (Prof. Indarte):

Date	Class	Topic	Reading	Homework
22-Oct	13	Risk and Return	10.1-10.6	
27-Oct	14	Risk and Return	10.7-10.8, 11.1-11.6	
29-Oct	15	CAPM	11.7-11.8, 12.1-12.3	
3-Nov	16	Cost of Capital	12.4-12.7, 18.2	
5-Nov	17	Capital Structure	14.1-14.5	PS 4 due
10-Nov	18	Capital Structure	15.1-15.2, 18.1, 18.3, 18.6	
12-Nov	19	Capital Structure	15.4, 16.1-16.9, 18.7	
17-Nov	20	Cash Management	17.1, 17.5-17.6, 26.6, 31.3	
19-Nov	21	Derivatives and Risk Management	30.1-30.3, 20.1-20.2, 20.6	PS 5 due
24-Nov 26-Nov		<b>No class</b>		
1-Dec	22	Derivatives and Risk Management	20.1, 20.3, 22.1-22.6, 22.8	
3-Dec	23	Derivatives and Risk Management	20.4, 21.2, 21.5	
8-Dec	24	Review		
10-Dec				PS 6 due
15-Dec		<b>Final Exam (time TBA)</b>		

Prior to each exam, TAs will offer an additional review session. Dates and times TBA.