

FNCE 611/621, Corporate Finance

Spring 2021

Mon/Weds, 9-10:20, 10:30-11:50, 1:30-2:50, 3-4:20, Canvas (Zoom)

Instructor: Yao Zeng

Email: yaozeng@wharton.upenn.edu

Teaching Assistants (TAs):

Jorge Cardenas

Email: jecm@wharton.upenn.edu

Jacob Morello

Email: jtmore@wharton.upenn.edu

Dimitri Nikolaou

Email: djn@wharton.upenn.edu

Kos Singhal

Email: ksinghal@wharton.upenn.edu

Raul Jasso

Email: rjasso@wharton.upenn.edu

Chris Murphy

Email: cwm@wharton.upenn.edu

Bri Scholtz

Email: bscholtz@wharton.upenn.edu

Ankita Vij

Email: ankitavj@wharton.upenn.edu

1. Course description

Plainly speaking, corporate finance teaches you the core of raising money (i.e., financing) to make more money (i.e., investing) via operating a corporate. You may think this is obvious, but it is rather not. It is really the foundation of finance and many things beyond.

We will ask and answer many fundamental questions as the course progresses. What is the value of money? How do you value different forms of money? How do you make wise investments? How do you raise money? How can you raise more money as you make better investments? And how can you keep raising and making money in today's competitive and strategic environments?

Do not expect corporate finance to teach you how to make a Tesla car possible (although Elon Musk was once a FNCE 611 student). But you will learn how to make Tesla the company possible by acquiring a full set of analytical skills and thinking perspectives. And I expect the skills and perspectives to be useful not only for your career development but also for many of your personal decisions.

2. Textbook, materials, and course schedule

Main textbook. Berk and DeMarzo (BD), *Corporate Finance*, Fifth Edition, Pearson.

- We will also use the associated MyLab Finance for homework and exams (see appendix).

Secondary textbook. Dixit and Nalebuff (DN), *The Art of Strategy*, Norton.

- Highlighting strategic aspects allows us to talk about more modern topics.

Lecture notes. Lecture notes and supplementary materials will be available on Canvas.

Course schedule (subject to change):

Date	Class	Topic	Reading	Homework
1/20	1	Introduction	BD 1.1-1.3	
1/25	2	Time Value of Money	BD 4.1-4.3, 4.5-4.6	
1/27	3	Interest Rates	BD 5.1-5.5	
2/1	4	Bonds	BD 6.1-6.4	
2/3	5	Investment	BD 3.3-3.5, 4.4, 7.1-7.2, 7.4	
2/8	6	Capital Budgeting	BD 8.1-8.2	PS 1 Due
2/10	7	Stocks	BD 9.1-9.3	
2/15	8	Capital Markets	BD 10.1-10.6	
2/17	9	Portfolio Choice	BD 10.7-10.8, 11.1-11.6	
2/22	10	CAPM	BD 11.7-11.8, 12.1-12.3	
2/24	11	Index Investing (Guest)	TBA	PS 2 Due
3/1	12	Review		
3/5 FNCE 611 Mid-term Exam (FNCE 621 Final Exam)				
3/15	13	Cost of Capital	BD 12.4-12.7	
3/17	14	Capital Structure (MM)	BD 14.1-14.4	
3/22	15	Capital Structure (Trade-off)	BD 15.1-15.2, 16.1-16.4	
3/24	16	Game Theory (Static)	DN 3	
3/29	17	Game Theory (Dynamic)	DN 2, 6, 7	
3/31	18	Capital Structure (Agency Issues)	BD 16.5-16.7	PS 3 Due
4/5	19	Information Asymmetry	DN 8	
4/7	20	Capital Structure (Pecking Order)	BD 16.8, 23.4	
4/14	21	Auctions	DN 10	
4/19	22	IPO and M&A	BD 23.2-23.3, 28.1-28.4	
4/21	23	FinTech (Guest)	BD 1.4	PS 4 Due
4/26	24	Review		
TBD		FNCE 611 Final Exam		

3. Grade requirements

Requirements for the grade

- Participation (10%), homework (25%), mid-term exam (30%), and final exam (35%).
- For FNCE 621 students who only take the first half of the class, the requirements will be: participation (15%), homework (30%), and exam (55%).
- The raw score of each component will be normalized to 100 points for aggregation but will not be curved individually. Only the final grade will be curved (see below).

Switching between FNCE 611/621. You have the option of deciding up until an hour before the FNCE 611 mid-term exam (i.e., FNCE 621 final exam).

The “Curve”. Class grades are determined using a class-wide (i.e., across all sections) curve that respects any constraints imposed by Penn or Wharton. We expect the curve to be flexible this year due to the many challenges facing the students. We will also make every effort to make the learning and grading process fair to all students.

4. Participation

Participation and discussion both in-class and outside the classroom are crucial for the class. However, we understand the many constraints facing students for this challenging year. We offer two ways for you to get the participation credit below. In the end we expect all students, regardless of your personal situations, to get full credit as long as you maintain a reasonable level of activeness.

Participation in class. Active and thoughtful participation is essential for succeeding in this class. You will get the full participation credit as long as you ask at least one non-clarifying, context-related question or speak publicly once on a concrete topic during class. Please note that although more participation will not increase your score, you will get most out of the class by active and thoughtful participation. I also do remember who actively and relevantly contribute to class discussions. You are also expected to participate in group discussions during the class.

Zoom etiquette. Please leave your video on as much as you can, but keep your microphone muted when not speaking. When you have a question, please “raise hand”. Don’t “chat.”

Participation on Piazza. As we will detail below, we will use Piazza as an online platform to facilitate discussions outside the classroom (see below and also the appendix). You will get the full participation credit as long as you ask at least one course context related question or provide at least one concrete answer to your classmates’ questions.

5. Homework

Problem sets. I will assign 4 problem sets from the textbooks via MyLab Finance and as additional handouts on Canvas. Solutions will be provided after the due date.

- No late problem sets will be accepted.
- Although discussion is permitted, students are highly recommended to work on problem sets on your own because the exam questions will be similar in style.
- The teaching team won't answer questions regarding problem sets before the due date.
- Questions in MyLab Finance will be automatically graded.
- Questions as additional handouts on Canvas won't be graded; you get the full credits as long as you attempt to solve all the questions and upload the solutions to Canvas on time.

6. Exams

Exam format. Due to changing conditions, instructions will be provided before the exams. But expect them to be 2-hour timed, open-book, online exams which you may take at home during a 24-hour window. The final exam is cumulative but focuses on materials after the mid-term.

Practice problems before exams. I will assign more problems on MyLab Finance before exams for those of you who want additional practice. Doing them may help you become more familiar with the materials, but they are not necessary or required for taking the exams. Due to time constraints, we will not discuss these additional problems in class or in office hours.

No retrospective make-up exams. To be fair to all students, we respectfully request you not to ask for any reason. Please plan ahead if you have conflicts. We hope the ability to take the exams during a 24-hour window can help you minimize any conflicts even during the challenging time this year.

- For FNCE 611 students who miss the mid-term exam for any reason, your final score will be automatically used in its place.
- Under Wharton policies, I will give you an "Incomplete" grade if you miss the final exam due to a medical emergency per confirmation by the MBA program office. You will get a zero grade for the final exam if you miss it for other reasons.

7. Mid-term exam re-grading

Written appeals only. The teaching team will be extremely careful and fair in grading the exams. Mid-term exams will be returned in the week following the reception of the grade. A re-

grading process for the mid-term exam is available.

- To make the re-grading process professional and fair to all students, there are no verbal appeals of grade changes.
- Students should submit a written statement explaining the problem within one week of receiving the grade.
- The only valid reason for a re-grade is an error on the teaching team's part; the grading scheme is not subject to debate because it's fair to all the students.

Entire exam re-grading. The entire exam will be re-graded, and the score may increase, remain the same, or decrease.

8. TA Review Sessions

Review sessions. The TAs will hold Zoom review sessions through the semester, particularly before the exams, detailed times TBD. They are optional but are great resources to help you digest the course materials, review problem sets, and prepare for exams.

9. Communication

Piazza. Whenever possible, we ask that you submit questions about the course material or logistics over Piazza instead of sending emails directly to the teaching team. Piazza is a forum, visible to everyone in all sections, where you can both ask and answer questions about the course. This form of communication will greatly facilitate discussion among all students. This is also how you may get your participation credits.

Go to the right folder on Piazza. We organize the folders on Piazza by lectures and assignments. Right now you should be able to see several folders for the first couple of lectures and problem set 1, and you will see more as we progress. If you feel your question is related to multiple lectures or assignments, post it in what you feel the most relevant one.

If needed, ask email questions in advance. TAs and I will welcome thoughtful emails if you prefer to communicate to the teaching team in private. But to be fair to all students, we don't answer emails on exam dates. We may also direct your questions to Piazza when appropriate.

Emails are imperfect. Please also note that emails are not efficient for answering many types of questions. "How do I do Question 4?" or "What's up with equity valuation?" are short questions with long answers. Consider using Piazza for those types of questions or come to office hours.

10. Office hours

Office hours schedule. For every teaching week starting the second (except for the week of March 8-12 and exam dates), the instructor and TAs will hold weekly online office hours according to the following schedule (with Zoom links to be posted on Canvas). The idea is to have someone on-duty every day, and more availabilities on Mondays and Wednesdays.

Day	Time	Host
Monday	4:30-5:30pm	Yao Zeng
Monday	6-7pm	Jorge Cardenas
Tuesday	3-4pm	Bri Scholtz
Wednesday	12-1pm	Ankita Vij
Wednesday	4:30-5:30pm	Yao Zeng
Thursday	9:30-10:30am	Chris Murphy
Friday	12-1pm	Dimitri Nikolaou

If you are wondering why some TAs' names are not here, you will see them in the review sessions and on Piazza.

11. School-wide policies

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, 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.

Appendix

MyLab Finance

To complete the homework/exams, 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 the 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 and copy us in the email so we are aware of the issue.

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.

Piazza

Piazza is a forum, visible to everyone in all 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 (you should be access it from Canvas as well):

<https://piazza.com/upenn/spring2021/fnce611621/home>