

Finance 100: 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

Instructor from Week 1 to 7:

Prof. Lorena Keller

lorenak@wharton.upenn.edu

Office Hours: By appointment. Please check availability at <https://lorenak.youcanbook.me> . If the time slots do not work, email me to schedule an appointment.

Instructor from Week 8 to 14:

Prof. Sasha Indarte

aindarte@wharton.upenn.edu

Office Hours: TBA

Teaching Assistants

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Course Resources

Textbook

The **required** textbook for the course is: Corporate Finance (**plus MyLab Finance**), Jonathan Berk and Peter DeMarzo, 5th 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 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 either a scientific or business calculator or a software (e.g., Excel) that can perform operations such as 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:

link TBA

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

We 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.

PollEverywhere

Each class will typically feature at least one "concept check." These are generally true/false and multiple choice questions, similar to ones we may ask on exams. Participating in polls count towards your attendance grade. The goal of concept checks is to provide you practice and help us give real-time feedback; therefore participation rather than correctness of answers is what counts towards your grade.

Polls will be run using PollEverywhere. To participate, you'll need to have a phone or laptop handy in-class. **This (and In-Class Activities) is the only time in class when your phone or laptop should be in front of you.**¹ You'll need an account at PollEverywhere. You can sign up here:

link TBA

You'll then be able to access polls through either PollEverywhere's Android or iOS app, over SMS text, or from your browser on a laptop.

Course Expectations

Attendance

Class attendance is mandatory. You are expected to arrive on time and do readings before the class. You should read the slides before class and, when available, the lecture notes. We expect

¹ In-Class Activities will be part of the second half of the course with Professor Indarte.

everyone to engage with each other respectfully during class and in any other context related to this course.

In-Class Activities

The second half of the course, taught by Professor Indarte, will typically dedicate 20-30 minutes of class time to work on In-Class Activities. These activities are to be completed in groups of 4-6. To participate, you will need a laptop and (on most days) Microsoft Excel. Participation in these activities counts towards your participation grade, but correctness and completeness of solutions to the activities is not counted towards the grade. The purpose of these activities is to provide a hands-on opportunity to apply tools and concepts from class to practical corporate finance problems.

Electronics Policy

Electronic devices such as laptops, tablets, and cell phones should not be used nor visible in class at any point other than when participating in a poll or In-Class Activity. However, please make sure to have either a laptop or phone to participate in polls each day, and make sure to have a laptop for days with an In-Class Activity. If you need to be in touch because of a family emergency, let me know before class and keep your device on vibrate.

Timing

Class begins promptly; students are expected to arrive and be seated before class begins. If you do arrive late, please take a seat at the back of the classroom so as to avoid disturbing others. If you must leave early for a reason related to an excusable absence, such as a job interview or if you are awaiting news because of a family emergency, please let that week's professor know before class and sit at the back of the classroom. Always bring and display your name tent.

Remote Students

Some of your classmates may be unable to participate in person prior to September 17th. In this case, remote students are expected to watch recordings of their section's class. We can see who watches and for how long; this information will be used to assess attendance for remote students. Because office hours for both the professors and TAs will be in person, remote students may instead schedule meetings by appointment prior to September 17th. *Note that all classes will be recorded.*

Grades

The course grade is based on four components:

- Problem Sets ($6 \times 5\% = 30\%$)

- Midterm Exam (30%)
- Final Exam (30%)
- Attendance (5%)
- Participation and professionalism (5%)

Class grades are determined using a class-wide (i.e., across all FNCE 100 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.² 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.

Problem sets are due by **8:00 am ET** on the dates specified in the course calendar.

Exams

There is a midterm and a final exam. For both exams, you will want a calculator capable of exponentiating (i.e., x^a) to complete the exam. The midterm and final exams are closed-book exams, but you are allowed to bring one 8.5" x 11" “cheat-sheet” on which you can print/write notes (writing on both sides is permitted).

² You may ask TAs and professors questions about the course concepts and tools, but not specific homework questions prior to the deadline.

If you miss the midterm exam, regardless of the reason, your final exam 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 our 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.

Attendance

Attendance will be recorded through participation in class polls. Missing class will result in a decrease in the attendance grade. Remote student attendance will be graded based on viewing their section's recordings (prior to September 17th). Excused absences will not count against attendance if the student notifies the professor prior to missing class in the case of foreseeable events or in a timely manner in the case of unforeseen events, and watches the recording of the missed class.

Excused absences must be *documented* and include:

- Unforeseen events such as...
 - o Illness or injury requiring medical attention for student
 - o Death or diagnosed life-threatening illness of a spouse/partner or a close family member (for example, a student's or spouse's/partner's parents, siblings, children, or grandparents)
 - o A criminal act against a student (for example, mugging)

- Foreseeable but exceptional events such as...
 - o Wedding of a close family member
 - o Wedding in which the student serves a formal role in the ceremony (i.e., wedding party member or celebrant)
 - o Job interview or travel for job interview with no alternative time available
 - o Conference that the student's academic advisor approves as being beneficial for a student's career or academic development
 - o Jury duty
 - o Court hearing

- Club or athletic events in which the student is an active participant

Unexcused absences include, but are not limited to...

- Non-urgent medical appointments
- Injuries such that the student is still capable of attending class
- Job interview or travel for a job interview when alternative times are available
- Wedding for friends or family in which the student does not serve a formal role
- Birthday or anniversary events

Participation and Professionalism

Earning full credit for this grade requires quality participation in class and professional behavior exhibited throughout the course. Examples of quality participation include thoughtful contributions to class discussions and asking questions that add to the classes' understanding. Examples of not having a professional behavior include not showing up to student/faculty appointments with faculty or teaching assistants. Other examples include asking questions that are clearly answered on the syllabus or Canvas (e.g., the due date of the homework); asking for an exception for you that is not part of the university's policy; and asking for a regrade for any other reason than an error on our part. The examples are not exhaustive. This portion of the grade exists to make sure all students are treated fairly and to help you work on professional skills that will be very important in your career.

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) exams, 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.

Sharing **any** material from this course – including, but not limited to, slides, exam questions, and exam solutions – with **anyone** not in your section will be considered a violation of the University's

Code of Academic Integrity. This includes posting such material to any other website. Any such violation will result in a failing grade.

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 our express written permission.

Tentative Course Calendar

Dates are subject to change.

Tentative schedule for weeks 1-7 (Prof. Keller):

Date	Class	Topic	Reading	PSet
1-Sep	1	Introduction, Time Value of Money	4.1-4.3, 4.5-4.8, 4.Appendix	
6-Sep		No class (Labor Day)		
8-Sep	2	Time Value of Money	4.1-4.3, 4.5-4.8, 4.Appendix	
13-Sep	3	Problem Solving Day 1		
15-Sep	4	Interest Rates	5.1-5.5	PS 1 due
20-Sep	5	Fixed Income	6.1- 6.5	
22-Sep	6	Fixed Income	6.1- 6.5	
27-Sep	7	Investment Decisions	3.3-3.5, 4.4, 7.1-7.2, 7.4	
29-Sep	8	Problem Solving Day 2		
4-Oct	9	Capital Budgeting	8.1-8.2	PS 2 due
6-Oct	10	Equities	9.1-9.3	
11-Oct	11	Equities	9.1-9.3	
13-Oct	12	Problem Solving Day 3		
18-Oct	13	Review		PS 3 due
20-Oct	14	Midterm Exam (time TBA)		

Tentative schedule for weeks 8-14 (Prof. Indarte):

Date	Class	Topic	Reading	Homework
25-Oct	15	Risk and Return	10.1-10.3, 11.1-11.3	
27-Oct	16	Risk and Return	10.4-10.7, 11.4-11.5	
1-Nov	17	CAPM	11.6-11.8, 13.1-13.2	
3-Nov	18	Cost of Capital	12.1-12.7, 18.2	
8-Nov	19	Capital Structure	14.1-14.5	PS 4 due
10-Nov	20	Capital Structure	15.1-15.2, 18.1, 18.3, 18.6	
15-Nov	21	Capital Structure	15.4, 16.1-16.9, 18.7	
17-Nov	22	Cash Management	17.1, 17.5-17.6, 26.6, 31.3	
22-Nov	23	Mergers and Acquisitions	TBA	
25-Nov 28-Nov		No class		
29-Nov	24	Derivatives and Risk Management	30.1-30.3, 20.1-20.2, 20.6	PS 5 due
1-Dec	25	Derivatives and Risk Management	20.1, 20.3, 22.1-22.6, 22.8	
6-Dec	26	Derivatives and Risk Management	20.4, 21.2, 21.5, 29.1-29.3	
8-Dec	27	Review		
13-Dec				PS 6 due
TBA		Final Exam (time TBA)		

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