

Corporate Finance
Finance 1000
The Wharton School, University of Pennsylvania
Fall 2022

Course Description

The purpose of this course is to introduce techniques of financial analysis, with applications to corporate finance. The concepts learned in Finance 1000 are the foundation for all elective finance courses. The topics covered include: (1) time value of money and the net present value rule, (2) capital budgeting decisions, (3) portfolio choice, (4) valuation of bonds and stocks, (5) corporate financing decisions, and (6) options.

Professor

Itamar Drechsler

Office Hours: see Canvas

Teaching Assistants

- Guanyu Zhou: guanyuz@wharton.upenn.edu
- Weiyu Peng: weiyupen@wharton.upenn.edu

Office Hours: see Canvas

Mask Policy

I am requiring everyone to wear a mask in the classroom. I'm doing this for two reasons: (1) There are many of us in a small classroom and this will help reduce the chance of an outbreak of covid, plus the usual fall colds/flu, (2) *I have a daughter who takes immunosuppressants; it is important to me to reduce her risk of becoming sick.*

The school's policy regarding masking in class says "Individual instructors may decide to require students to wear masks in their classroom and those who do should make that clear on their syllabus and to their students in the classroom. Students are required to comply with the masking requirements established by their instructors." For the school's policy see <https://coronavirus.upenn.edu/content/faqs-fall-2022>.

Course Material

- Canvas has the lecture slides, links to class recordings, homeworks, practice exams. Please go through it carefully so you know what is there.
- Required: Corporate Finance with access to the MyLabFinance site, by Jonathan Berk and Peter DeMarzo, 5th ed., Pearson - Prentice Hall MyFinanceLab includes access to an electronic version of the textbook, so buying access to MyFinanceLab gets you everything.

You can buy the electronic access code for MyLab Finance from Pearson's website or the book store. I posted a pdf on Canvas alongside this syllabus with instructions on "registering" for access to the Pearson MyLab material associated with our course. It is at <https://www.pearson.com/mylab>.

Access to MyLab and the E-text version of the book is \$104.99 and you can purchase it when "registering" with the publisher at the above link or at their online store at <https://www.pearson.com/store/p/corporate-finance/P100002593447>. You can also get temporary access if you want to try it first before paying.

The instructor's course ID for our course is **drechsler99218**. I posted a file, "Student Registration Handout", under "Files", with instructions.

- Homework problems will require the use of Excel (or other spreadsheet program) or a financial calculator. In the past, when we had in-person exams, a financial calculator was necessary. Last year we had exams online so students were able to use Excel instead if they wished. If we continue to take the exam online, which is my current plan, then you will be able to use Excel if you like.

Readings

The schedule shows the required readings in the textbook that correspond to that day's material. You should do the readings before class, so that the lecture helps you to clarify your understanding and you can ask better questions.

I will only test you on material that we explicitly cover in the lectures and homeworks. Still, I require Berk and DeMarzo because in my opinion it is a very good and useful book, and not too long winded. Moreover, and as important, the MyLab Finance site has a huge collection of practice problems with worked out solutions. I will post sets of recommended practice problems in the MyLab finance site for each section of material we cover.

Homework Problem Sets

Assignments are due by the *beginning* of class on the day given in the syllabus. You must submit your homework electronically through Canvas. Do *not* email us your homework. Note that we can see the exact time of submission. If you submit late your score will be penalized.

Attempt every problem and show your work. Since the homeworks are there to help you learn the material and get practice solving problems, they will be graded for completeness and effort rather than whether you got the right number in the end.

You are allowed to work in groups on the problems, but you must writeup and hand in your own copy, written in your own words, and you must acknowledge any help you received on the front page of your copy. Do not just submit two copies of the same writeup. This is for your benefit, since being forced to write up the problems will increase your familiarity and level of comfort with the material. Since the problem sets are graded mainly for effort, there is no reason (besides laziness) for you to copy others' answers.

Grading

Grades will be based on the final and midterm exams (worth 45% and 35%, respectively) and homeworks (20%).

Each homework is graded out of 4 points. There will be 6 homeworks, *but I will drop your lowest homework score.*

Exams:

See the schedule for the dates of the midterm and final exams. There will be **no** makeups of the midterm exam or final exam, except in extenuating circumstances covered by university policy (i.e., medical emergencies). The schedule shows the dates of the exams—so schedule your plans not to conflict with them. I am not responsible for the date of the final exam, it is decided solely and completely by the university.

Honor Code You are expected to respect the Code of Academic Integrity

http://www.upenn.edu/academicintegrity/ai_codeofacademicintegrity.html and to behave with integrity in all aspects of the course. Violations of the honor code will be reported to the administration immediately.

Communicating with me

Outside of the classroom the best way to contact me is email, but please do not ask long, detailed questions, or questions that may require a long, detailed response. For such questions please come to office hours and I am happy to talk with you there.