

FNCE 611001-004: Corporate Finance
Dieckmann / Kaufold
Fall 2022 Syllabus

Prof. Stephan Dieckmann

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Office hours: Wednesday 1.30 – 3.00pm (in-person room SHDH 2252),
Friday 9.00 – 10.30am (zoom)

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Office hours: Quarter 2, Tuesday 4.30 – 6.00pm (in-person room SHDH
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We are available to meet with you during our office hours in-person and on our zoom channels. Please make an appointment if you want to meet outside of these times, either in-person or virtual. Teaching Assistants will also hold office hours; their times will be posted on the Canvas course page.

Course Description

Investment and financing decisions are at the heart of corporate finance. A firm's financial manager, on one hand, is confronted with the universe of investment opportunities. She must decide which real assets to purchase and projects to undertake, and which ones to forgo. On the other hand, she must decide how to fund such investments, whether to raise cash from lenders or from shareholders, and what the best mix of debt and equity financing is. The goal of this introductory course is to provide students with the necessary skills to make such investment and financing decisions. Furthermore, this is the core course in the "micro-finance" area and serves as the basis for all more advanced courses.

You can think of this course having several parts. First, we study how to calculate the present value of cash flows, allowing us to determine the value of bonds and stocks, and to understand the basic rules for investment decisions. Second, a financial manager wants to know about a good measure of risk for their firm, and we formally introduce portfolio theory and the capital asset pricing model. Third, we give an overview of financing instruments, study how corporations issue securities, and discuss market efficiency. Fourth, we cover debt and payout policies and what ingredients to

consider in the firm's capital structure decision. Last but not least, there will be an introduction to option markets.

Class Meetings & Recordings

We meet Tuesdays and Thursdays in JMHH 245. All standards in our [Learning Agreement](#) apply. Please turn off and put away your phones, they are too distracting for you and the students around you. You may use tablets for notetaking purposes.

We expect students to attend all sessions. Please respect the classroom as an inclusive learning environment where diverse points of view and experiences can be shared to facilitate everyone's learning. If you cannot attend a session due to an excused absence, then we can make a recording available. Requesting a recording for additional review of the material is also fine. You must request access to a recording through Canvas.

Course Materials

1. Course notes, quizzes, problem sets, past exams and recordings will be made available on Canvas. Please see the course schedule below for the sequence of topics.
2. We will be using Ed Discussion for announcements and additional asynchronous class discussion. The Ed Discussion system is catered to interact fast and efficiently with classmates, the TAs, and instructors.
3. The required textbook for the course is:

Principles of Corporate Finance, by Richard Brealey, Stewart Myers, Franklin Allen, and Alex Edmans, McGraw-Hill

The most current edition is #14. Using earlier editions is also fine. The book's way of presenting the material sometimes differs from the way it is done in the course notes. It is a very good textbook and will be helpful in mastering the material, as well as a general reference on the subject of corporate finance. Our goal is to cover material up to chapter 22, and we have indicated on the course schedule which book chapter corresponds to the respective topic. We will not explicitly cover chapters 10, 11, 19, and 20 in this introductory course,

but you will have plenty of opportunities to study project analysis and agency problems in more advanced courses.

If you find it helpful to see the material presented in different ways, we also recommend:

Corporate Finance, by Jonathan Berk and Peter DeMarzo, Pearson

Corporate Finance, by Stephen Ross, Randolph Westerfield, and Jeffrey Jaffe, McGraw-Hill

Requirements

Students are expected to submit 15 quizzes for preparation, 5 problem sets for practice, and sit for a midterm and a final exam. Grades will be based on:

Attendance & Participation	10%
Quizzes	15%
Problem Sets	15%
Midterm Exam	30%
Final Exam	30%

Attendance & Participation

Our goal is to make the classroom environment as engaging as possible. Your focused attention and active involvement are important. In addition, we will be using Ed Discussion for asynchronous class discussion. Rather than emailing questions, we encourage you to post your questions on Ed Discussion. We will post a score for attendance & participation at the end of Q1, and at the end of the semester.

Quizzes

Quizzes are for class preparation, testing on some basic knowledge that is used in the upcoming class. They are very brief, typically 4 short questions. Please solve the questions on your own, don't consult with classmates on these. The quizzes will be graded automatically, and the answers are available at the end of class.

Problem Sets

Problem sets are for practice. They are designed to increase your understanding of the material, provide early feedback, and help you prepare for the exams. Solutions to each problem set will be made available soon after the deadline. Students should prepare the solution in groups of up to 3 students, to be handed in as one write-up per group.

Exams

This class has a midterm exam on October 13 and a final exam on a date to be determined during the December 15-22 final exam period. Both exams are mandatory. They will be online exams, and you can take them during a time window on those days. In accord with the guidelines published by the MBA Program Office, there will be no rescheduling of exams to accommodate job interviewing, personal travel, etc. If an emergency or illness should force you to miss an exam, please contact your academic advisor before the test is given. You will be allowed to take a makeup exam only if you have a physician's explanation for your absence. Both exams will be open-book and open-notes. We do not allow verbal appeals of grades. Please provide a written statement to us as to why there is a problem. All re-grade requests must be submitted within one week after the results have been posted.

Math for Business, Calculators, and Spreadsheets

Several of the mathematical aspects of this course are covered in Math for Business. If you have not used a spreadsheet software in the past, we highly recommend you use FNCE6110 as an opportunity to learn Microsoft EXCEL. All computations that we perform in this class can be carried out using such software. It will also be very helpful for solving problem set questions if you familiarize yourself with the EXCEL tools Goal Seek and Solver by the end of the second week of class. Some students enjoy using a financial calculator while studying for this class, but this is not required.

Ethics Matrix

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FNCE 6110 Corporate Finance	Materials							People				
	Calculator	Laptop / other electronics	Summary sheet	Textbooks / Class Notes	Past notes / summaries	Past exams / problems	Internet content / other outside materials	Group of 3	Other student(s) in same section	Student(s) in other sections (same term)	Wharton student not taking the class this term	Person outside of Wharton
Quizzes	A	A		A			A	D	D	D	D	D
Problem Sets	A	A		A			A	W	D	D	D	D
Exam Preparation	A	A	A	A		A	A	W	W	W	D	D
Midterm	A	A	A	A			A					
Final Exam	A	A	A	A			A					
	A = Allowed material Shaded Cell = Not allowed							W = Allowed to work together D = Discussion of general concepts and procedures is allowed but no sharing of specific answers. Shaded Cell = Not allowed				
The information above covers many common situations but will not cover every circumstance. Remember: The Wharton Code of Ethics that you accepted requires, among other things, that you represent yourself and your work honestly, don't try to gain unfair advantage over other students, follow the instructor's guidelines and respect confidentiality of your work and the work of others. Should you have questions, please contact your professor.												

Course Schedule

Class	Date	Topic	BMAE chapter
1	Aug 30	Introduction to Corporate Finance	1
2	Sep 1	Time Value of Money and Calculating Present Values	2
3	Sep 6	Valuing Bonds and Stocks	3, 4
4	Sep 8	Valuing Bonds and Stocks	3, 4
5	Sep 13	Valuing Bonds and Stocks	3, 4
6	Sep 15	Net Present Value and Other Investment Criteria	5
7	Sep 20	Investment Decisions using the Net Present Value Rule	6
8	Sep 22	Introduction to Risk and Return	7
9	Sep 27	Portfolio Risk and Diversification	7
10	Sep 29	Capital Asset Pricing Model I	8
11	Oct 4	Capital Asset Pricing Model II	8
12	Oct 11	Review for Exam	
	Oct 13	Midterm Exam	
13	Oct 25	Cost of Capital I	9
14	Oct 27	Cost of Capital II	9
15	Nov 1	Market Efficiency I	12
16	Nov 3	Market Efficiency II	12
17	Nov 8	Capital Structure I	16
18	Nov 10	Capital Structure II	17
19	Nov 15	Capital Structure III	17
20	Nov 17	Valuation	18
21	Nov 29	Investment and Financing Interactions/Options I	21
22	Dec 1	Initial Public Offerings (Guest Speaker)	13,14
23	Dec 6	Options II	21
24	Dec 8	Wrap-Up / Review for Exam	
	Tbd	Final Exam	