

FNCE 611/621, Corporate Finance

Spring 2022

Tue/Thur, 8:30-10am, 10:15-11:45am, 1:45-3:15pm, 3:30-5pm @ JMHH G65

(Updated Jan 24, 2022)

Instructor: Yao Zeng

Email: yaozeng@wharton.upenn.edu

Teaching Assistants (TAs):

Dimitri Nikolaou (Head TA)

Email: djn@wharton.upenn.edu

Sandra Chen

Email: sandchen@wharton.upenn.edu

Spencer Friske

Email: sfriske1@wharton.upenn.edu

Brian Fulginiti

Email: bfulgi@wharton.upenn.edu

Avishee Gupta

Email: avishee@wharton.upenn.edu

Forrest Liu

Email: foliu@wharton.upenn.edu

Katherine Yuan

Email: kyuan@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

2.1 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).

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

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

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

Course schedule (subject to change):

Date	Class	Topic	Reading	Homework
1/18	1	Introduction	BD 1.1-1.3	
1/20	2	Time Value of Money	BD 4.1-4.3, 4.5	
1/25	3	Interest Rates	BD 5.1-5.3	
1/27	4	Bonds I	BD 6.1-6.2	
2/1	5	Bonds II	BD 6.3-6.4	PS1 Due
2/3	6	Investments	BD 3.3-3.5, 4.4, 7.1-7.2, 7.4	
2/8	7	Stocks	BD 9.1-9.3	
2/10	8	Capital Markets	BD 10.1-10.3, 11.1-11.3	
2/15	9	Portfolio Choice	BD 10.4-10.7, 11.4-11.5	PS2 Due
2/17	10	CAPM	BD 11.6-11.8	
2/22	11	Index Investing (Guest)	BD 12.1-12.2	
2/24	12	Review		PS3 Due 3/1
3/2	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	Strategies and Conflicts of Interests	DN 2, 3, 6, 7	
3/29	17	Capital Structure (Agency Issues)	BD 16.5-16.7	PS4 Due
3/31	18	Information Asymmetry	DN 8	
4/5	19	Capital Structure (Pecking Order)	BD 16.8, 23.4	
4/7	20	Auctions	DN 10	
4/12	21	Intro to VC and PE	BD 23.1	PS5 Due
4/14	22	Intro to IPO and M&A	BD 23.2-23.3, 28.1-28.4	
4/19	23	FinTech (Guest)	BD 1.4	
4/21	24	Review		PS6 Due 4/29
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.

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 per entire semester. Please note that although more participation will not increase your score, you will get the most out of the class by active and thoughtful participation. I also do remember who actively and relevantly contribute to class discussions.

Nameplate. As we will likely wear a mask in the classroom, I recommend using a nameplate.

Zoom etiquette. For zoom lectures, please leave your video on, 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 per entire semester.

5. Homework

Problem sets. I will assign 6 problem sets from the textbooks via MyLab Finance and as additional handouts on Canvas. More instructions will be provided when the first problem set is assigned.

- Problem sets are due at 23:59pm on the due date. No late problem sets will be accepted.
- Although discussion is permitted and MyLab Finance also gives you a lot of guidance, students are highly recommended to work on problem sets on your own because the exam questions will be similar in terms of style and difficulty.
- 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 may 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 (i.e., you may simply skip it if you want without specifying a reason), your final score will be automatically used in its place.
- For FNCE 611 students who choose to open and attempt the mid-term exam during the 24-hour window on 3/2, you commit to using whatever score you get towards your final grade of the class.
- According to 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. TA Review Sessions

Review sessions. The TAs will hold Zoom or in-person review sessions throughout the semester, particularly after homework due dates and before the exams, with detailed times TBD. They are optional but are great resources to help you digest the course materials, review problem sets, and prepare for exams.

8. 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.

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.

Emails are imperfect. The teaching team aims to respond to student emails within 48 hours. 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.

9. Office hours

Office hours schedule. For every teaching week starting the second (except for the spring break and exam dates), the instructor and TAs will hold weekly online office hours according to the following schedule (in-person or on Zoom, with Zoom links to be posted on Canvas).

Day	Time	Host
Tuesday	1-2pm	Katherine Yuan
Tuesday	2-3pm	Sandra Chen
Tuesday	6-7pm	Avishee Gupta
Wednesday	1-2pm	Brian Fulginiti
Wednesday	4-6pm	Yao Zeng
Thursday	9-10am	Spencer Friske
Thursday	2-3pm	Sandra Chen

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

10. 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 purchase MyLab Finance (which integrates an e-textbook) for approximately \$100 from Pearson's website. To purchase MyLab Finance, 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 and exams.

To get a print copy (although not necessary for the class), 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 print copy of the book for approximately \$25.

If you run into errors when going to MyLab Finance, please make sure you first log into Canvas and 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 also provide additional problems in MyLab Finance that relate to the material we have learned and that provides a great way to check, practice, and improve your understanding of the material.

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. You should be able to access Piazza via Canvas, or directly enroll using the following link.

piazza.com/upenn/spring2022/fnce611621