

**FNCE 611001-004 / FNCE 621001-004**  
**Corporate Finance**  
**Dieckmann / Suominen**  
**Spring 2023 Syllabus**

Prof. Stephan Dieckmann (teaching Quarter 3)  
[sdieckma@wharton.upenn.edu](mailto:sdieckma@wharton.upenn.edu), phone: 215-898-4260  
Zoom office hours: Friday 9.00 – 10.30am; in-person office hours on  
Wednesday by appointment

Prof. Matti Suominen (teaching Quarter 4)  
[mattis@wharton.upenn.edu](mailto:mattis@wharton.upenn.edu), phone: 215-898-5210  
Zoom office hours: Friday 9.00 – 10.30am; in-person office hours on  
Wednesday by appointment

### **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. They must decide which real assets to purchase and projects to undertake, and which ones to forgo. On the other hand, they 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 we will prepare you for all more advanced courses.

You can think of this course having several parts and learning objectives. In the first half of the course, 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 such as Net Present Value and Internal Rate of Return. A financial manager needs to understand the relation between risk and return. To achieve this, we formally introduce modern portfolio theory, study the role of diversification, and learn about the Capital Asset Pricing Model.

In the second half of the course, we learn more about valuation and firms' financing. We start by looking at the firms' cost of capital. After this, we examine what are the determinants of firms' optimal capital structure. How

firms in different industries and at different stages of their existence should be financed. Third, we learn the principals of how to value entire companies. This is an important skill for managers who want to manage for value. In addition, it is important in evaluating M&A decisions. Last, but not least, there will be an introduction to option markets.

### **FNCE 6110 versus FNCE 6210**

FNCE 6110 is the full-CU and FNCE 6210 the half-CU version of this course. The course is structured such that FNCE 6210 is the first half (Quarter 3) of FNCE6110. Students have the option to switch between FNCE6110 and FNCE6210, in either direction. The deadline to inform your academic advisor if you want to switch is February 27, at 11.59 pm, no exceptions.

### **Class Meetings & Recordings**

We meet Tuesdays and Thursdays in JMHH G65. 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 editions #12 or #13 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, and will only briefly touch material in Chapters 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

### **Assessment FNCE6110**

Attendance & Participation	10%
Quizzes	15%
Problem Sets	15%
First Exam (Feb 28)	30%
Second Exam (Apr 25)	30%

### **Assessment FNCE6210**

Attendance & Participation	10%
Quizzes	15%
Problem Sets	15%
Exam (Feb 28)	60%

## **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 Q3, 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**

The exams take place on February 28 and April 25 during your regular class time period. They will be online exams to be taken using the Canvas platform in a proctored classroom in JMHH.

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 if you have a physician's explanation for your absence. 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 and EXCEL

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 this course as an opportunity to learn Microsoft EXCEL. All the computations 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. You are allowed to use EXCEL during the exams.

### Ethics Matrix

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FNCE 6110/6210 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
Exam Feb 28	A	A	A	A			A					
Exam Apr 25	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				
<p>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.</p>												

## Course Schedule Spring 2023

Class	Date	Topic	BMAE #14 chapter
1	Jan 17	Introduction to Corporate Finance	1
2	Jan 19	Time Value of Money and Calculating Present Values	2
3	Jan 24	Valuing Bonds and Stocks I	3, 4
4	Jan 26	Valuing Bonds and Stocks II	3, 4
5	Jan 31	Valuing Bonds and Stocks III	3, 4
6	Feb 2	Net Present Value and Other Investment Criteria	5
7	Feb 7	Investment Decisions using the NPV Rule	6
8	Feb 9	Introduction to Risk and Return	7
9	Feb 14	Portfolio Risk and Diversification	7
10	Feb 16	Capital Asset Pricing Model I	8
11	Feb 21	Capital Asset Pricing Model II	8
12	Feb 23	Review for Exam	
	Feb 28	First Exam	
13	Mar 14	Cost of Capital	9
14	Mar 16	Market Efficiency	12
15	Mar 21	Capital Structure I	13, 16
16	Mar 23	Capital Structure II	16
17	Mar 28	Capital Structure III	17
18	Mar 30	Valuation I	18
19	Apr 4	Valuation II	18
20	Apr 6	Valuation III	18
21	Apr 11	Initial Public Offerings	14
22	Apr 13	Options I	21
23	Apr 18	Options II	21
24	Apr 20	Review for Exam	
	Apr 25	Second Exam	