

UNIVERSITY OF PENNSYLVANIA  
The Wharton School

Finance 100  
Fall 2016

A. Craig MacKinlay  
3255 SH-DH

## CORPORATE FINANCE

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**Course Web Page:** <http://finance.wharton.upenn.edu/~acmack>

### Course Description:

The purpose of this course is to introduce techniques of financial analysis, with emphasis on topics in the corporate finance area. The concepts developed in Finance 100 form the foundation for all elective finance courses. The main topics covered include (1) the time value of money and the net present value rule; (2) valuation of bonds and stocks; (3) principles of capital budgeting; (4) uncertainty and the tradeoff between risk and return; (5) corporate financing and dividend policy decisions; and (6) capital budgeting decisions under uncertainty.

### Course Materials:

#### Required:

S. Ross, R. Westerfield, J. Jaffe, and B. Jordan, Corporate Finance, 11<sup>th</sup> Edition, McGraw-Hill Irwin, 2016. (Referred to as RWJJ in course outline.) [This textbook will also be available in the bookstore as a paperback with selected chapters.]

Sample exams with solutions (available online).

A scientific or business calculator. (It will be necessary for your calculator to have a  $x^y$  function.)

Solutions for end-of-chapter problems in RWJJ.

#### Optional:

R. Brealey, S. Myers, and F. Allen, Principles of Corporate Finance, 11<sup>th</sup> Edition, McGraw-Hill Irwin, 2014. (Referred to as BMA in course outline.)

T. Koller, M. Goedhart, and D. Wessels, Valuation: Measuring and Managing the Values of Companies (6<sup>th</sup> Edition), McKinsey and Company, 2015, published by John Wiley and Sons, Hoboken, New Jersey.

D. Kieso, J. Weygandt, and T. Warfield, Intermediate Accounting, 16<sup>th</sup> edition, John Wiley and Sons, 2016.

**Evaluation:**

The course grade will be based on two midterm exams, a final exam, and two assignments (to be handed in). The weightings are:

Maximum of Midterm I and Midterm II	10%
Midterm Exam II	35%
Final Exam	45%
Assignments	10%

The first midterm exam is not optional. Failure to take this exam will result in a score of zero for the 10% allocated to the maximum of midterms I and II.

**Schedule of Exams:**

Midterm Exam I	Thursday, September 29, in class
Midterm Exam II	Thursday, November 3, in class
Final Exam	Monday, December 19, 6:00 pm to 8:00 pm

Please note that there will not be any make-up exams except as required by university policy.

**Policy for regrade requests:**

All regrade requests must be made in writing within one week of the day the exams are returned. Any exam submitted for regrading of a question can be subjected to a complete regrading.

**Office Hours:**

My weekly scheduled office hours will be on Tuesdays from 3:45 to 4:45. Any week this time needs to be adjusted will be announced in advance.

The course teaching assistants will also have office hours scheduled throughout the week. Their schedule will be posted on the course web page.

**Course Outline:****I. Introduction.**

*Readings:* RWJJ Chapter 3\*  
[BMA Chapter 1]

**II. The Time Value of Money and NPV.**

*Readings:* RWJJ Chapters 4, 8, and 9  
RWJJ (8<sup>th</sup> edition) Appendix pages 5A-1 to 5A-3 (posted online)  
[BMA Chapters 2 – 4]

**III. Principles of Capital Budgeting.**

*Readings:* RWJJ Chapters 5 and 6  
[BMA Chapters 5 – 6]

**IV. Uncertainty and Financial Decisions.**

*Readings:* RWJJ Chapters 10, 11, and 12\*  
[BMA Chapters 7 – 8]

**V. Capital Budgeting Under Uncertainty.**

*Readings:* RWJJ Chapter 13  
[BMA Chapter 9]

**VI. Market Efficiency.**

*Readings:* RWJJ Chapter 14  
[BMA Chapter 13]

**VII. Corporate Financing and Capital Structure.**

*Readings:* RWJJ Chapters 15, 16, and 17.  
[BMA Chapters 14, 15, 17, and 18]

**VIII. Valuation and Capital Budgeting.**

*Readings:* RWJJ Chapters 18  
[BMA chapter 19]

**IX. Dividend Policy.**

*Readings:* RWJJ Chapter 19  
[BMA Chapter 16]

**X. Valuation of Options. (Optional topic)**

*Readings:* RWJJ Chapters 22\*  
[BMA Chapters 20 – 21]

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\* Optional reading.

Additional readings will be posted online or distributed in class.